

STATE OF FLORIDA AUDITOR GENERAL

Financial and Federal Single Audit

Report No. 2017-189
March 2017

**GADSDEN COUNTY
DISTRICT SCHOOL BOARD**

For the Fiscal Year Ended
June 30, 2016



Sherrill F. Norman, CPA
Auditor General

Board Members and Superintendent

During the 2015-16 fiscal year, Reginald C. James served as Superintendent of the Gadsden County Schools and the following individuals served as School Board Members:

	<u>District No.</u>
Audrey D. Lewis to 4-30-16, ^a Chair to 11-16-15	1
Steve Scott	2
Isaac Simmons, Jr., Vice Chair	3
Charlie D. Frost	4
Roger P. Milton, Chair from 11-17-15	5

^a Board member resigned on 4-30-16, and position remained vacant through 6-30-16.

The Auditor General conducts audits of governmental entities to provide the Legislature, Florida's citizens, public entity management, and other stakeholders unbiased, timely, and relevant information for use in promoting government accountability and stewardship and improving government operations.

The team leader was Nicole W. Ostrowski, CPA, and the audit was supervised by Shelly G. Curti, CPA.

Please address inquiries regarding this report to Micah E. Rodgers, CPA, Audit Supervisor, by e-mail at micahrodgers@aud.state.fl.us or by telephone at (850) 412-2905.

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SUMMARY

SUMMARY OF REPORT ON FINANCIAL STATEMENTS

Our audit disclosed that the Gadsden County District School Board (District's) basic financial statements were presented fairly, in all material respects, in accordance with prescribed financial reporting standards.

SUMMARY OF REPORT ON INTERNAL CONTROL AND COMPLIANCE

We noted certain matters involving the District's internal control over financial reporting and its operation that we consider to be significant deficiencies, as summarized below. However, these significant deficiencies are not considered to be material weaknesses.

Significant Deficiencies

Finding No. 2016-001: District financial reporting procedures continue to need improvement to ensure financial statement account balances and transactions and expenditures listed on the Schedule of Expenditures of Federal Awards are properly reported.

(Combination of Control Deficiencies in Financial Statement Finding Nos. 2016-002, 2016-003, and 2016-004)

Finding No. 2016-002: District procedures did not effectively provide for:

- Proper reconciliations of cash and cash equivalent account statement balances to the general ledger account balances with reconciling items thoroughly investigated and adequately identified and documented.
- Timely adjustments to the general ledger cash and cash equivalent account balances based on the results of the reconciliations.
- Appropriate supervisory review and approval of the account reconciliations to ensure that the reconciliations were properly performed.

Finding No. 2016-003: District controls over journal entries need improvement.

Finding No. 2016-004: District electronic funds transfer (EFT) agreements in effect during the 2015-16 fiscal year did not provide for an appropriate separation of duties as two individuals were authorized to make EFTs and could also change the bank account to which funds could be transferred.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* issued by the Comptroller General of the United States.

SUMMARY OF REPORT ON FEDERAL AWARDS

We audited the District's compliance with applicable Federal awards requirements. The Child Nutrition Cluster and Special Education Cluster programs were audited as major Federal programs. The results of our audit indicated that the District materially complied with the requirements that could have a direct and material effect on each of its major Federal programs.

AUDIT OBJECTIVES AND SCOPE

Our audit objectives were to determine whether the School Board and its officers with administrative and stewardship responsibilities for District operations had:

- Presented the District's basic financial statements in accordance with generally accepted accounting principles;
- Established and implemented internal control over financial reporting and compliance with requirements that could have a direct and material effect on the financial statements or on the District's major Federal programs;
- Complied with the various provisions of laws, rules, regulations, contracts, and grant agreements that are material to the financial statements, and those applicable to the District's major Federal programs; and
- Taken corrective actions for the financial statement finding included in our report No. 2016-156.

The scope of this audit included an examination of the District's basic financial statements and the accompanying Schedule of Expenditures of Federal Awards as of and for the fiscal year ended June 30, 2016. We obtained an understanding of the District's environment, including its internal control, and assessed the risk of material misstatement necessary to plan the audit of the basic financial statements and Federal awards. We also examined various transactions to determine whether they were executed, in both manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements. The results of our operational audit of the District are included in our report No. 2017-147.

AUDIT METHODOLOGY

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.



Sherrill F. Norman, CPA
Auditor General

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The President of the Senate, the Speaker of the
House of Representatives, and the
Legislative Auditing Committee

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Gadsden County District School Board, as of and for the fiscal year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the school internal funds, which represent 20 percent of the assets and 99 percent of the liabilities of the aggregate remaining fund information. Those statements, which were prepared on the cash basis, a special purpose framework, were audited by other auditors, whose report has been furnished to us. We have applied audit procedures on the conversion adjustments to the financial statements of the school internal funds, which conform those financial statements to accounting principles generally accepted in the United States of America. Our opinion, insofar as it relates to the amounts included for the school internal funds, prior to these conversion adjustments, is based solely on the report of the other auditors. In addition, we did not audit the financial statements of the aggregate discretely presented component units, which represent 100 percent of the transactions and account balances of the aggregate discretely presented component units' columns. Those statements were

audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the aggregate discretely presented component units, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the school internal funds were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Gadsden County District School Board, as of June 30, 2016, and the respective changes in financial position thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that **MANAGEMENT'S DISCUSSION AND ANALYSIS**, the **Budgetary Comparison Schedule – General and Major Special Revenue Funds**, **Schedule of Funding Progress – Other Postemployment Benefits Plan**, **Schedule of the District's Proportionate Share of the Net Pension Liability – Florida Retirement System Pension Plan**, **Schedule of District Contributions – Florida Retirement System Pension Plan**, **Schedule of the District's Proportionate Share of the Net Pension Liability – Health Insurance Subsidy Pension Plan**, **Schedule of District Contributions – Health Insurance Subsidy Pension Plan**, and **Notes to Required Supplementary Information**, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate

operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying **SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The accompanying **SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS** is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying **SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS** is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated March 28, 2017, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements and other matters included under the heading **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Respectfully submitted,



Sherrill F. Norman, CPA
Tallahassee, Florida
March 28, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the Gadsden County District School Board has prepared the following discussion and analysis to provide an overview of the District's financial activities for the fiscal year ended June 30, 2016. The information contained in the Management's Discussion and Analysis (MD&A) is intended to highlight significant transactions, events, and conditions and should be considered in conjunction with the District's financial statements and notes to financial statements found immediately following the MD&A.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2015-16 fiscal year are as follows:

- In total, net position increased by \$0.7 million, or 1.6 percent for the 2015-16 fiscal year, primarily due to reduced costs for instruction, instructional staff training services, and student transportation services.
- The assigned and unassigned fund balance of the General Fund, representing the net current financial resources available for general appropriation by the Board, totaled \$2.9 million at June 30, 2016, or 6.7 percent of General Fund expenditures, as compared to \$1.7 million at June 30, 2015, or 3.9 percent of General Fund expenditures and \$1.2 million at June 30, 2014, or 2.8 percent of General Fund expenditures.
- During the current fiscal year, General Fund expenditures exceeded revenues by \$0.5 million. This may be compared to the 2014-15 fiscal year's result in which General Fund expenditures exceeded revenues by \$1.2 million, and the 2013-14 fiscal year's results in which General Fund expenditures exceeded revenues by \$2.8 million.
- The total long-term debt decreased by \$0.9 million because of principal payments.

OVERVIEW OF FINANCIAL STATEMENTS

The basic financial statements consist of three components: (1) government-wide financial statements; (2) fund financial statements; and (3) notes to financial statements. This report also includes supplementary information intended to furnish additional details to support the basic financial statements.

Government-wide Financial Statements

The government-wide financial statements provide both short-term and long-term information about the District's overall financial condition in a manner similar to those of a private-sector business. The statements include a statement of net position and a statement of activities that are designed to provide consolidated financial information about the governmental activities of the District presented on the accrual basis of accounting. The statement of net position provides information about the District's financial position, its assets, liabilities, and deferred inflows/outflows of resources, using an economic resources measurement focus. Assets plus deferred outflows of resources, less liabilities and deferred inflows of resources, equals net position, which is a measure of the District's financial health. The statement of activities presents information about the change in the District's net position, the results of operations, during the fiscal year. An increase or decrease in net position is an indication of whether the District's financial health is improving or deteriorating.

The government-wide statements present the District's activities in the following categories:

- Governmental activities – This represents most of the District's services, including its educational programs: basic, vocational, adult, and exceptional education. Support functions such as transportation and administration are also included. Local property taxes and the State's education finance program provide most of the resources that support these activities.
- Component units – The District presents the Galloway Academy Foreign Language Immersion and the Crossroad Academy Charter Schools as separate legal entities in this report. These charter schools are legally separate organizations and component units that are included in this report because they meet the criteria for inclusion provided by generally accepted accounting principles. Financial information for these component units is reported separately from the financial information presented for the primary government.

Fund Financial Statements

Fund financial statements are one of the components of the basic financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements and prudent fiscal management. Certain funds are established by law while others are created by legal agreements, such as bond covenants. Fund financial statements provide more detailed information about the District's financial activities, focusing on its most significant or "major" funds rather than fund types. This is in contrast to the entitywide perspective contained in the government-wide statements. All of the District's funds may be classified within one of the broad categories discussed below.

Governmental Funds: Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in assessing a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The governmental funds balance sheet and statement of revenues, expenditures, and changes in fund balances provide detailed information about the District's most significant funds. The District's major funds are the General Fund, Special Revenue – Food Service Fund, and Special Revenue – Other Fund. Data from the other governmental funds are combined into a single, aggregated presentation.

The District adopts an annual appropriated budget for its governmental funds. A budgetary comparison schedule has been provided for the General and major Special Revenue Funds to demonstrate compliance with the budget.

Fiduciary Funds: Fiduciary funds are used to report assets held in a trustee or fiduciary capacity for the benefit of external parties, such as student activity funds. Fiduciary funds are not reflected in the government-wide statements because the resources are not available to support the District's own programs. In its fiduciary capacity, the District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes.

The District uses agency funds to account for resources held for student activities and groups.

Notes to Financial Statements

The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning the District's net pension liability and its progress in funding its obligation to provide other postemployment benefits to its employees.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position over time may serve as a useful indicator of a government's financial health. The following is a summary of the District's net position as of June 30, 2016, compared to net position as of June 30, 2015:

Net Position, End of Year

	Governmental Activities	
	6-30-16	6-30-15
Current and Other Assets	\$ 8,472,857	\$ 4,974,275
Capital Assets	67,579,907	70,493,349
Total Assets	76,052,764	75,467,624
Deferred Outflows of Resources	4,612,186	3,443,988
Long-Term Liabilities	29,222,731	25,222,351
Other Liabilities	2,561,189	362,530
Total Liabilities	31,783,920	25,584,881
Deferred Inflows of Resources	4,718,076	9,852,611
Net Position:		
Net Investment in Capital Assets	63,683,275	65,678,669
Restricted	2,261,732	2,009,769
Unrestricted (Deficit)	(21,782,053)	(24,214,318)
Total Net Position	\$ 44,162,954	\$ 43,474,120

The largest portion of the District's net position is investment in capital assets (e.g., land; buildings; furniture, fixtures, and equipment), less any related debt still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, the resources used to repay the debt must be provided from other sources, since the capital assets cannot be used to liquidate these liabilities.

The restricted portion of the District's net position represents resources that are subject to external restrictions on how they may be used. The deficit unrestricted net position was the result, in part, of accruing \$2,256,221 in compensated absences payable, \$3,370,760 in other postemployment benefit obligations, and \$19,699,118 in net pension liability.

The key elements of the changes in the District's net position for the fiscal years ended June 30, 2016, and June 30, 2015, are as follows:

Operating Results for the Fiscal Year Ended

	Governmental Activities	
	6-30-16	6-30-15
Program Revenues:		
Charges for Services	\$ 281,923	\$ 233,522
Operating Grants and Contributions	6,626,304	6,540,111
Capital Grants and Contributions	393,846	298,719
General Revenues:		
Property Taxes, Levied for Operational Purposes	7,994,793	8,032,754
Property Taxes, Levied for Capital Projects	2,148,936	2,091,665
Grants and Contributions Not Restricted to Specific Programs	40,493,362	40,988,987
Unrestricted Investment Earnings	15,740	1,358
Miscellaneous	989,793	1,657,704
Total Revenues	58,944,697	59,844,820
Functions/Program Expenses:		
Instruction	26,743,517	26,805,997
Student Support Services	2,766,714	2,791,960
Instructional Media Services	682,710	673,407
Instruction and Curriculum Development Services	1,968,140	2,026,925
Instructional Staff Training Services	958,126	1,372,618
Instruction-Related Technology	384,457	494,737
Board	604,403	471,716
General Administration	1,044,013	1,037,390
School Administration	3,212,472	3,349,503
Facilities Acquisition and Construction	434,503	144,472
Fiscal Services	496,746	452,500
Food Services	4,214,911	4,421,304
Central Services	522,081	625,229
Student Transportation Services	3,564,181	4,149,617
Operation of Plant	5,632,582	5,937,983
Maintenance of Plant	1,189,098	1,352,422
Administrative Technology Services	696,637	747,134
Community Services	75,452	72,225
Unallocated Interest on Long-Term Debt	151,401	178,878
Unallocated Depreciation Expense	2,913,719	3,323,905
Total Functions/Program Expenses	58,255,863	60,429,922
Change in Net Position	688,834	(585,102)
Net Position - Beginning	43,474,120	66,291,652
Adjustment to Beginning Net Position (1)	-	(22,232,430)
Net Position - Beginning, as Restated	43,474,120	44,059,222
Net Position - Ending	\$ 44,162,954	\$ 43,474,120

Note: (1) Adjustment to beginning net position was due to the implementation of Governmental Accounting Standard Board Statement No. 68, which was a change in accounting principle that required employers participating in cost-sharing multiple-employer defined benefit pension plans to report the employers' proportionate share of the net pension liability of the defined benefit pension plans.

The largest revenue source is the State of Florida (56 percent). Revenues from State sources for current operations are primarily received through the Florida Education Finance Program (FEFP) funding formula. The FEFP formula utilizes student enrollment data, and is designed to maintain equity in funding across all Florida school districts, taking into consideration the District's funding ability based on the local property tax base. Other State revenues are primarily for meeting the requirements of the class size amendment.

Instruction expenses represent 46 percent of total governmental expenses in the 2015-16 fiscal year. Overall expenditures decreased by \$2.2 million, or 3.6 percent, since the prior fiscal year, primarily due to reduced costs for instructional staff training services, student transportation services, and depreciation expense.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Governmental Funds

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. Specifically, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as it represents the portion of fund balance that has not been limited to a particular purpose by an external party, the District, or a group or individual delegated authority by the Board to assign resources for particular purposes.

The total fund balances of governmental funds increased by \$1.3 million during the fiscal year to \$5.2 million at June 30, 2016. Approximately 53.8 percent of this amount is unassigned fund balance (\$2.8 million), which is available for spending at the District's discretion. The remainder of the fund balance is nonspendable, restricted, or assigned to indicate that it is (1) not in spendable form (\$0.25 million), (2) restricted for particular purposes (\$2.1 million), or (3) assigned for particular purposes (\$0.05 million).

Major Governmental Funds

The General Fund is the District's chief operating fund. At the end of the 2015-16 fiscal year, assigned and unassigned fund balance is \$2.8 million, while the total fund balance was \$2.9 million. As a measure of the General Fund's liquidity, it may be useful to compare the total assigned and unassigned fund balances to General Fund total revenues. The total assigned and unassigned fund balance is 6.8 percent of the total General Fund revenues, while total fund balance represents 6.9 percent of total General Fund revenues. Total fund balance increased \$1 million during the fiscal year primarily due to reduced costs for instruction and student transportation services.

The District accounts for the operations of the food service program in the Special Revenue – Food Service Fund, with a total fund balance of \$1.3 million. The total fund balance increased \$0.5 million mainly because of increase in commodities inventory and no Federal indirect costs charged to the program in the 2015-16 fiscal year.

The Special Revenue – Other Fund accounts for the financial resources of certain Federal grant programs and had revenues and expenditures totaling \$9.1 million each, which is consistent with the 2014-15 fiscal

year. Because grant revenues attributed to the grants accounted for in this fund are not recognized until expenditures are incurred, this fund generally does not accumulate a fund balance.

GENERAL FUND BUDGETARY HIGHLIGHTS

There were no significant variances between the General Fund final amended budget and actual reported revenues or the General Fund final appropriations and the actual expenditures as disclosed in the other required supplementary information (RSI) to the financial statements.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

The District's investment in capital assets for its governmental activities as of June 30, 2016, was \$67.6 million (net of accumulated depreciation). This investment in capital assets includes land; improvements other than buildings; buildings and fixed equipment; furniture, fixtures, and equipment; and motor vehicles. The total decrease in capital assets for the current fiscal year was \$2.9 million, or 4.1 percent.

Additional information on the District's capital assets can be found in Notes I.F.4. and II.D. to the financial statements.

Long-Term Debt

At June 30, 2016, the District had total long-term debt outstanding of \$3.9 million, composed of \$0.5 million in installment-purchases payable; \$0.9 million for a note payable; and \$2.5 million of bonds payable.

Additional information on the District's long-term debt can be found in Notes I.F.6. and II.I. to the financial statements.

REQUESTS FOR INFORMATION

This report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning information provided in the MD&A or other required supplementary information, and financial statements and notes thereto, or requests for additional financial information should be addressed to the Interim Assistant Superintendent for Business and Finance, Gadsden County District School Board, 35 Martin Luther King, Jr., Boulevard, Quincy, Florida 32351.

BASIC FINANCIAL STATEMENTS

**Gadsden County District School Board
Statement of Net Position
June 30, 2016**

	Primary Government		Component Units
	Governmental Activities		
ASSETS			
Cash and Cash Equivalents	\$ 5,475,629.87	\$	3,408,466.00
Investments	11,353.93		-
Accounts Receivable	153,039.82		-
Due from Other Agencies	1,861,312.88		-
Due from Primary Government	-		51,507.00
Notes Receivable	720,836.29		-
Prepaid Items	-		25,370.00
Other Receivables	-		5,975.00
Inventories	250,683.61		-
Capital Assets:			
Nondepreciable Capital Assets	1,744,588.29		-
Depreciable Capital Assets, Net	65,835,319.02		3,666,824.00
TOTAL ASSETS	76,052,763.71		7,158,142.00
DEFERRED OUTFLOWS OF RESOURCES			
Pensions	4,612,186.00		-
LIABILITIES			
Accrued Salaries and Benefits	943,402.35		-
Payroll Deductions and Withholdings	599,447.80		-
Accounts Payable	1,018,339.10		347,764.00
Notes Payable	-		122,700.00
Accrued Interest Payable	-		46,047.00
Long-Term Liabilities:			
Portion Due Within One Year	1,909,728.92		67,066.00
Portion Due After One Year	27,313,001.88		1,834,209.00
TOTAL LIABILITIES	31,783,920.05		2,417,786.00
DEFERRED INFLOWS OF RESOURCES			
Pensions	4,718,076.00		-
NET POSITION			
Net Investment in Capital Assets	63,683,275.22		-
Restricted for:			
Debt Service	11,353.93		-
Capital Projects	922,700.42		-
Food Service	1,327,677.18		-
Unrestricted (Deficit)	(21,782,053.09)		4,740,356.00
TOTAL NET POSITION	\$ 44,162,953.66	\$	4,740,356.00

The accompanying notes to financial statements are an integral part of this statement.

**Gadsden County District School Board
Statement of Activities
For the Fiscal Year Ended June 30, 2016**

Functions/Programs	Expenses	Charges for Services	Program Revenues Operating Grants and Contributions
Primary Government			
Governmental Activities:			
Instruction	\$ 26,743,517.37	\$ 63,540.26	\$ -
Student Support Services	2,766,713.89	-	-
Instructional Media Services	682,709.82	-	-
Instruction and Curriculum Development Services	1,968,139.56	-	-
Instructional Staff Training Services	958,125.70	-	-
Instruction-Related Technology	384,456.65	-	-
Board	604,402.91	-	-
General Administration	1,044,012.89	-	-
School Administration	3,212,472.56	-	-
Facilities Acquisition and Construction	434,502.65	-	-
Fiscal Services	496,746.07	-	-
Food Services	4,214,911.04	117,709.05	4,816,530.21
Central Services	522,081.40	-	-
Student Transportation Services	3,564,181.30	100,673.93	1,627,120.00
Operation of Plant	5,632,582.07	-	-
Maintenance of Plant	1,189,098.47	-	182,654.00
Administrative Technology Services	696,636.73	-	-
Community Services	75,451.58	-	-
Unallocated Interest on Long-Term Debt	151,400.60	-	-
Unallocated Depreciation Expense*	2,913,719.30	-	-
Total Primary Government	\$ 58,255,862.56	\$ 281,923.24	\$ 6,626,304.21
Component Units			
Charter Schools	\$ 3,386,285.00	\$ 0.00	\$ 0.00

General Revenues:

Taxes:

- Property Taxes, Levied for Operational Purposes
- Property Taxes, Levied for Capital Projects
- Grants and Contributions Not Restricted to Specific Programs
- Unrestricted Investment Earnings
- Miscellaneous

Total General Revenues

Change in Net Position

Net Position - Beginning

Net Position - Ending

* This amount excludes the depreciation that is included in the direct expenses of the various functions.

The accompanying notes to financial statements are an integral part of this statement.

**Net (Expense) Revenue and Changes
in Net Position**

Capital Grants and Contributions	Primary Government Governmental Activities	Component Units
\$ -	\$ (26,679,977.11)	\$ -
-	(2,766,713.89)	-
-	(682,709.82)	-
-	(1,968,139.56)	-
-	(958,125.70)	-
-	(384,456.65)	-
-	(604,402.91)	-
-	(1,044,012.89)	-
-	(3,212,472.56)	-
183,815.69	(250,686.96)	-
-	(496,746.07)	-
-	719,328.22	-
-	(522,081.40)	-
-	(1,836,387.37)	-
-	(5,632,582.07)	-
-	(1,006,444.47)	-
-	(696,636.73)	-
-	(75,451.58)	-
210,030.33	58,629.73	-
-	(2,913,719.30)	-
\$ 393,846.02	(50,953,789.09)	-
\$ 0.00	-	(3,386,285.00)
	7,994,792.55	-
	2,148,936.16	-
	40,493,362.00	4,387,223.00
	15,739.59	-
	989,792.79	-
	51,642,623.09	4,387,223.00
	688,834.00	1,000,938.00
	43,474,119.66	3,739,418.00
	\$ 44,162,953.66	\$ 4,740,356.00

**Gadsden County District School Board
Balance Sheet – Governmental Funds
June 30, 2016**

	General Fund	Special Revenue - Food Service Fund	Special Revenue - Other Fund
ASSETS			
Cash and Cash Equivalents	\$ 3,439,837.23	\$ 1,113,894.04	\$ -
Investments	-	-	-
Accounts Receivable	101,126.00	-	-
Due from Other Funds	1,343,411.46	-	-
Due from Other Agencies	5,045.27	135,109.66	1,711,885.13
Notes Receivable	720,836.29	-	-
Inventories	65,860.06	184,823.55	-
TOTAL ASSETS	\$ 5,676,116.31	\$ 1,433,827.25	\$ 1,711,885.13
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities:			
Accrued Salaries and Benefits	\$ 810,452.98	\$ 46,110.92	\$ 86,838.45
Payroll Deductions and Withholdings	518,242.58	33,313.01	47,892.21
Accounts Payable	706,435.89	26,726.14	284,688.33
Due to Other Funds	-	-	1,292,466.14
Total Liabilities	2,035,131.45	106,150.07	1,711,885.13
Deferred Inflows of Resources:			
Unavailable Revenue - Notes Receivable	720,836.29	-	-
Unavailable Revenue - Capital Outlay and Debt Service	-	-	-
Total Deferred Inflows of Resources	720,836.29	-	-
Fund Balances:			
Nonspendable:			
Inventories	65,860.06	184,823.55	-
Restricted for:			
Debt Service	-	-	-
Capital Projects	-	-	-
Food Service	-	1,142,853.63	-
Total Restricted Fund Balance	-	1,142,853.63	-
Assigned for:			
Purchases on Order	47,221.88	-	-
Unassigned Fund Balance	2,807,066.63	-	-
Total Fund Balances	2,920,148.57	1,327,677.18	-
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 5,676,116.31	\$ 1,433,827.25	\$ 1,711,885.13

The accompanying notes to financial statements are an integral part of this statement.

<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 921,898.60	\$ 5,475,629.87
11,353.93	11,353.93
968.50	102,094.50
-	1,343,411.46
9,272.82	1,861,312.88
-	720,836.29
-	250,683.61
<u>\$ 943,493.85</u>	<u>\$ 9,765,322.54</u>
\$ -	\$ 943,402.35
-	599,447.80
488.74	1,018,339.10
-	1,292,466.14
<u>488.74</u>	<u>3,853,655.39</u>
-	720,836.29
8,950.76	8,950.76
<u>8,950.76</u>	<u>729,787.05</u>
-	250,683.61
11,353.93	11,353.93
922,700.42	922,700.42
-	1,142,853.63
<u>934,054.35</u>	<u>2,076,907.98</u>
-	47,221.88
-	2,807,066.63
<u>934,054.35</u>	<u>5,181,880.10</u>
<u>\$ 943,493.85</u>	<u>\$ 9,765,322.54</u>

**Gadsden County District School Board
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2016**

Total Fund Balances - Governmental Funds \$ 5,181,880.10

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. 67,579,907.31

Long-term notes receivable are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue on the governmental fund statements. 720,836.29

Funds due from other agencies are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue on the governmental fund statements. 8,950.76

Long-term liabilities are not due and payable in the fiscal year and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year-end consist of:

Installment-Purchases Payable	\$	(488,236.02)	
Note Payable		(892,041.24)	
Bonds Payable		(2,516,354.83)	
Compensated Absences Payable		(2,256,220.71)	
Other Postemployment Benefits Payable		(3,370,760.00)	
Net Pension Liability		(19,699,118.00)	(29,222,730.80)

The deferred outflows of resources and deferred inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds.

Deferred Outflows Related to Pensions	\$	4,612,186.00	
Deferred Inflows Related to Pensions		(4,718,076.00)	(105,890.00)

Net Position - Governmental Activities \$ 44,162,953.66

The accompanying notes to financial statements are an integral part of this statement.

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**Gadsden County District School Board
Statement of Revenues, Expenditures, and Changes in
Fund Balances – Governmental Funds
For the Fiscal Year Ended June 30, 2016**

	General Fund	Special Revenue - Food Service Fund	Special Revenue - Other Fund
Revenues			
Intergovernmental:			
Federal Direct	\$ 110,204.88	\$ -	\$ 2,255,962.11
Federal Through State and Local	759,415.52	4,737,937.21	6,842,364.01
State	32,156,906.78	78,593.00	-
Local:			
Property Taxes	7,994,792.55	-	-
Charges for Services - Food Service	-	117,709.05	-
Miscellaneous	1,154,072.98	295.50	-
Total Local Revenues	9,148,865.53	118,004.55	-
Total Revenues	42,175,392.71	4,934,534.76	9,098,326.12
Expenditures			
Current - Education:			
Instruction	22,674,600.56	-	4,813,674.37
Student Support Services	1,889,271.72	-	966,356.78
Instructional Media Services	681,457.94	-	20,271.09
Instruction and Curriculum Development Services	946,046.15	-	1,086,977.27
Instructional Staff Training Services	248,102.43	-	734,655.60
Instruction-Related Technology	327,494.49	-	58,531.87
Board	610,664.68	-	-
General Administration	727,789.33	-	336,942.41
School Administration	3,301,413.89	-	33,772.30
Facilities Acquisition and Construction	242,278.39	-	113,149.83
Fiscal Services	514,892.88	-	-
Food Services	26,541.75	4,235,835.17	12,918.46
Central Services	412,911.87	-	126,026.48
Student Transportation Services	2,692,670.45	-	408,074.70
Operation of Plant	5,421,185.29	-	97,209.60
Maintenance of Plant	1,168,460.79	-	2,523.58
Administrative Technology Services	706,096.92	-	5,910.66
Community Services	23,522.58	-	54,220.38
Fixed Capital Outlay:			
Facilities Acquisition and Construction	-	3,157.42	119,081.47
Other Capital Outlay	-	156,620.55	112,528.29
Debt Service:			
Principal	52,825.26	-	-
Interest and Fiscal Charges	3,924.58	-	-
Total Expenditures	42,672,151.95	4,395,613.14	9,102,825.14
Excess (Deficiency) of Revenues Over Expenditures	(496,759.24)	538,921.62	(4,499.02)
Other Financing Sources (Uses)			
Transfers In	1,450,618.80	-	-
Sale of Capital Assets	39,104.00	-	-
Insurance Loss Recoveries	11,774.71	-	-
Transfers Out	-	-	-
Total Other Financing Sources (Uses)	1,501,497.51	-	-
Net Change in Fund Balances	1,004,738.27	538,921.62	(4,499.02)
Fund Balances, Beginning	1,915,410.30	788,755.56	4,499.02
Fund Balances, Ending	\$ 2,920,148.57	\$ 1,327,677.18	\$ 0.00

The accompanying notes to financial statements are an integral part of this statement.

Other Governmental Funds	Total Governmental Funds
\$ -	\$ 2,366,166.99
-	12,339,716.74
572,128.72	32,807,628.50
2,148,936.16	10,143,728.71
-	117,709.05
3.18	1,154,371.66
<u>2,148,939.34</u>	<u>11,415,809.42</u>
<u>2,721,068.06</u>	<u>58,929,321.65</u>
-	27,488,274.93
-	2,855,628.50
-	701,729.03
-	2,033,023.42
-	982,758.03
-	386,026.36
-	610,664.68
-	1,064,731.74
-	3,335,186.19
15,090.00	370,518.22
-	514,892.88
-	4,275,295.38
-	538,938.35
-	3,100,745.15
173,176.23	5,691,571.12
44,722.65	1,215,707.02
-	712,007.58
-	77,742.96
228,790.18	351,029.07
24,232.52	293,381.36
865,222.58	918,047.84
<u>147,476.02</u>	<u>151,400.60</u>
<u>1,498,710.18</u>	<u>57,669,300.41</u>
<u>1,222,357.88</u>	<u>1,260,021.24</u>
472,406.97	1,923,025.77
-	39,104.00
-	11,774.71
<u>(1,923,025.77)</u>	<u>(1,923,025.77)</u>
<u>(1,450,618.80)</u>	<u>50,878.71</u>
(228,260.92)	1,310,899.95
<u>1,162,315.27</u>	<u>3,870,980.15</u>
<u>\$ 934,054.35</u>	<u>\$ 5,181,880.10</u>

**Gadsden County District School Board
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures,
and Changes in Fund Balances to the Statement of Activities
For the Fiscal Year Ended June 30, 2016**

Net Change in Fund Balances - Governmental Funds \$ 1,310,899.95

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in the governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of depreciation expense in excess of capital outlays in the current fiscal year. (2,888,934.09)

In the governmental funds, the cost of capital assets was recognized as an expenditure in the fiscal year purchased. Thus, the change in net position differs from the change in fund balance by the undepreciated cost of the disposed assets. (24,507.12)

Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount of repayments in the current fiscal year.

Installment-Purchases Principal Repayments	\$ 264,145.15	
Bond Principal Repayments	340,048.25	
Note Principal Repayments	<u>313,854.44</u>	918,047.84

Payments received as notes receivable are reported as revenues in the fiscal year received in the fund statements. However, under full accrual, these revenues are recognized as revenue in the statement of activities in the year the note was issued. (42,312.00)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. 31,333.20

In the statement of activities, the cost of compensated absences is measured by the amounts earned during the year, while in the governmental funds, expenditures are recognized based on the amounts actually paid for compensated absences. This is the net amount of compensated absences used in excess of the amount earned in the current fiscal year. 275,465.22

Other postemployment benefits costs are recorded in the statement of activities under the full accrual basis of accounting, but are not recorded in the governmental funds until paid. This is the net decrease in the other postemployment benefits liability for the current fiscal year. 1,719.00

Governmental funds report District pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned net of employee contributions is reported as a pension expense.

FRS Pension Contribution	\$ 1,663,150.00	
HIS Pension Contribution	469,854.00	
FRS Pension Expense	(462,442.00)	
HIS Pension Expense	<u>(563,440.00)</u>	<u>1,107,122.00</u>

Change in Net Position - Governmental Activities \$ 688,834.00

The accompanying notes to financial statements are an integral part of this statement.

**Gadsden County District School Board
Statement of Fiduciary Assets and Liabilities – Fiduciary Funds
June 30, 2016**

		<u>Agency Funds</u>
ASSETS		
Cash and Cash Equivalents	\$	210,615.15
Accounts Receivable		21,485.72
TOTAL ASSETS	\$	<u>232,100.87</u>
LIABILITIES		
Accounts Payable	\$	18,647.55
Due to Other Funds		50,945.32
Internal Accounts Payable		<u>162,508.00</u>
TOTAL LIABILITIES	\$	<u>232,100.87</u>

The accompanying notes to financial statements are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. Governmental activities are normally supported by taxes, intergovernmental revenues, and other nonexchange transactions. The primary government is reported separately from the legally separate component units for which the primary government is financially accountable.

The statement of activities presents a comparison between direct expenses and program revenues for each function or program of the Gadsden County School District's (District) governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are thereby clearly identifiable to a particular function. Depreciation expense associated with the District's transportation department is allocated to the student transportation services function, while remaining depreciation expense is not readily associated with a particular function and is reported as unallocated.

B. Reporting Entity

The Gadsden County District School Board (Board) has direct responsibility for operation, control, and supervision of District schools and is considered a primary government for financial reporting. The District is considered part of the Florida system of public education, operates under the general direction of the Florida Department of Education (FDOE), and is governed by State law and State Board of Education (SBE) rules. The governing body of the District is the Board, which is composed of five elected members. The elected Superintendent of Schools is the executive officer of the Board. Geographic boundaries of the District correspond with those of Gadsden County.

Criteria for determining if other entities are potential component units that should be reported within the District's basic financial statements are identified and described in the Governmental Accounting Standards Board's (GASB) *Codification of Governmental Accounting and Financial Reporting Standards*, Sections 2100 and 2600. The application of these criteria provides for identification of any legally separate entities for which the Board is financially accountable and other organizations for which the nature and significance of their relationship with the Board are such that exclusion would cause the District's basic financial statements to be misleading. Based on the application of these criteria, the following component units are included within the District's reporting entity.

Discretely Presented Component Units. The component units' columns in the government-wide financial statements include the financial data of the District's component units. Separate columns are used to emphasize that they are legally separate from the District.

Crossroad Academy Charter School, a division of Community and Economic Development Organization of Gadsden County, Inc., and Galloway Academy Foreign Language Immersion Charter School, a division of Reach One Teach One, Inc., are separate not-for-profit corporations organized

pursuant to Chapter 617, Florida Statutes, the Florida Not For Profit Corporation Act, and Section 1002.33, Florida Statutes. The charter schools operate under a charter approved by their sponsor, the Gadsden County District School Board. The charter schools are considered to be component units of the District because the District is financially accountable for the charter schools as the District established the charter schools by approval of the charter, which is tantamount to the initial appointment of the charter schools, and there is the potential for the charter schools to impose specific financial burdens on the District. In addition, pursuant to the Florida Constitution, the charter schools are public schools and the District is responsible for the operation, control, and supervision of public schools within the District.

The financial data reported on the accompanying statements was derived from the charter schools' audited financial statements for the fiscal year ended June 30, 2016. The audit reports are filed in the District's administrative offices located at 35 Martin Luther King, Jr., Boulevard, Quincy, Florida 32351.

C. Basis of Presentation: Government-wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

The effects of interfund activity have been eliminated from the government-wide financial statements.

D. Basis of Presentation: Fund Financial Statements

The fund financial statements provide information about the District's funds, including the fiduciary funds. Separate statements for each fund category – governmental and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The District reports the following major governmental funds:

- General Fund – to account for all financial resources not required to be accounted for in another fund, and for certain revenues from the State that are legally restricted to be expended for specific current operating purposes.
- Special Revenue – Food Service Fund – to account for the financial resources of the District's food service program.
- Special Revenue – Other Fund – to account for certain Federal grant program resources.

Additionally, the District reports the following fiduciary fund type:

- Agency Funds – to account for resources of the school internal funds, which are used to administer moneys collected at several schools in connection with school, student athletic, class, and club activities.

During the course of operations the District has activity between funds for various purposes. Any residual balances outstanding at fiscal year-end are reported as due from/to other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Further, certain activity occurs during the year involving

transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in and out. While reported in fund financial statements, transfers between the funds included in governmental activities are eliminated in the preparation of the government-wide statements.

E. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized in the year for which they are levied. Revenues from grants, entitlements, and donations are recognized as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues, except for certain grant revenues, are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for Federal, State, and other grant resources, revenue is recognized at the time the expenditure is made. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditures are generally recognized when the related fund liability is incurred, as under accrual accounting. However, debt service expenditures, claims and judgments, pension benefits, other postemployment benefits, and compensated absences, are only recorded when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt is reported as other financing sources. Allocations of cost, such as depreciation, are not recognized in governmental funds.

The agency funds have no measurement focus but utilize the accrual basis of accounting for reporting assets and liabilities.

The charter schools are accounted for under the not-for-profit basis of accounting and uses the accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred.

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

1. Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term liquid investments with original maturities of 3 months or less from the date of acquisition. Investments classified as cash equivalents include amounts placed with the State Board of Administration (SBA) in Florida PRIME.

Cash deposits are held by banks qualified as public depositories under Florida law. All deposits are insured by Federal depository insurance, up to specified limits, or collateralized with securities held in Florida's multiple financial institution collateral pool as required by Chapter 280, Florida Statutes.

2. Investments

Investments consist of amounts placed in the SBA debt service accounts for investment of debt service moneys and amounts placed with the SBA for participation in the Florida PRIME investment pool created by Section 218.405, Florida Statutes. The investment pool operates under investment guidelines established by Section 215.47, Florida Statutes.

The District's investments in Florida PRIME, which the SBA indicates is a Securities and Exchange Commission Rule 2a7-like external investment pool, are similar to money market funds in which shares are owned in the fund rather than the underlying investments. These investments are reported at fair value, which is amortized cost.

Types and amounts of investments held at fiscal year-end are described in a subsequent note.

3. Inventories

Inventories consist of expendable supplies held for consumption in the course of District operations. Inventories are stated at cost on the first-in, first-out basis for maintenance department inventories; moving weighted-average for transportation inventories; and last invoice cost, which approximates the first-in, first-out basis for purchased foods and nonfood inventories, except that United States Department of Agriculture donated foods are stated at their fair value as determined at the time of donation to the District's food service program by the Florida Department of Agriculture and Consumer Services, Bureau of Food Distribution. The costs of inventories are recorded as expenditures when used rather than purchased.

4. Capital Assets

Expenditures for capital assets acquired or constructed for general District purposes are reported in the governmental fund that financed the acquisition or construction. The capital assets so acquired are reported at cost in the government-wide statement of net position but are not reported in the governmental fund financial statements. Capital assets are defined by the District as those costing more than \$750. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are recorded at acquisition value at the date of donation.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Estimated Useful Lives</u>
Improvements Other Than Buildings	10 - 35 years
Buildings and Fixed Equipment	15 - 50 years
Furniture, Fixtures, and Equipment	5 - 7 years
Motor Vehicles	5 - 10 years

Current year information relative to changes in capital assets is described in a subsequent note.

5. Pensions

In the government-wide statement of net position, liabilities are recognized for the District's proportionate share of each pension plan's net pension liability. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Florida Retirement System (FRS) defined benefit plan and the Health Insurance Subsidy (HIS) defined benefit plan and additions to/deductions from the FRS and the HIS fiduciary net position have been determined on the same basis as they are reported by the FRS and the HIS plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

The District's retirement plans and related amounts are described in a subsequent note.

6. Long-Term Liabilities

Long-term obligations that will be financed from resources to be received in the future by governmental funds are reported as liabilities in the government-wide statement of net position.

In the governmental fund financial statements, bonds and other long-term obligations are not recognized as liabilities until due.

Changes in long-term liabilities for the current year are reported in a subsequent note.

7. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense) until then. The District only has one item that qualifies for reporting in this category. The item, deferred outflows of resources related to pensions, is reported in the government-wide statement of net position and discussed in a subsequent note.

In addition to liabilities, the statement of net position and the governmental funds balance sheet report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time.

The District has several items that qualify for reporting in this category. The first item, deferred inflows of resources related to pensions, is reported in the government-wide statement of net position and discussed in a subsequent note. The remaining items, unavailable revenues from a notes receivable and from the State of Florida for capital outlay and debt service, are reported in the governmental funds balance sheet and are deferred and recognized as an inflow of resources in the period that the amounts become available.

8. Net Position Flow Assumption

The District occasionally funds outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. To calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. Consequently, it is the District's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

9. Fund Balance Flow Assumptions

The District may fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). To calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

10. Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The District itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the District's highest level of decision-making authority. The Board is the highest level of decision-making authority for the District that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation. The District reported no committed fund balances at June 30, 2016.

Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as committed. The Board has, by approval of the annual financial report, authorized the assignment of fund balance. The Board may also assign fund balance as it does when appropriating fund balance to cover a gap between

estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

G. Revenues and Expenditures/Expenses

1. Program Revenues

Amounts reported as program revenues include charges paid by the recipient of the goods or services offered by the program, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than program revenues. Revenues that are not classified as program revenues are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

2. State Revenue Sources

Significant revenues from State sources for current operations include the Florida Education Finance Program administered by the FDOE under the provisions of Section 1011.62, Florida Statutes. In accordance with this law, the District determines and reports the number of full-time equivalent (FTE) students and related data to the FDOE. The FDOE performs certain edit checks on the reported number of FTE and related data and calculates the allocation of funds to the District. The District is permitted to amend its original reporting for a period of 5 months following the date of the original reporting. Such amendments may impact funding allocations for subsequent fiscal years. The FDOE may also adjust subsequent fiscal period allocations based upon an audit of the District's compliance in determining and reporting FTE and related data. Normally, such adjustments are treated as reductions or additions of revenue in the fiscal year when the adjustments are made.

The State provides financial assistance to administer certain educational programs. SBE rules require that revenue earmarked for certain programs be expended only for the program for which the money is provided, and require that the money not expended as of the close of the fiscal year be carried forward into the following fiscal year to be expended for the same educational programs. The FDOE generally requires that these educational program revenues be accounted for in the General Fund.

The State allocates gross receipts taxes, generally known as Public Education Capital Outlay money, to the District on an annual basis. The District is authorized to expend these funds only upon applying for and receiving an encumbrance authorization from the FDOE.

A schedule of revenue from State sources for the current year is presented in a subsequent note.

3. District Property Taxes

The Board is authorized by State law to levy property taxes for district school operations, capital improvements, and debt service.

Property taxes consist of ad valorem taxes on real and personal property within the District. Property values are determined by the Gadsden County Property Appraiser, and property taxes are collected by the Gadsden County Tax Collector.

The Board adopted the 2015 tax levy on September 8, 2015. Tax bills are mailed in October and taxes are payable between November 1 of the year assessed and March 31 of the following year at discounts of up to 4 percent for early payment.

Taxes become a lien on the property on January 1, and are delinquent on April 1, of the year following the year of assessment. State law provides for enforcement of collection of personal property taxes by seizure of the property to satisfy unpaid taxes, and for enforcement of collection of real property taxes by the sale of interest-bearing tax certificates to satisfy unpaid taxes. The procedures result in the collection of essentially all taxes prior to June 30 of the year following the year of assessment.

Property tax revenues are recognized in the government-wide financial statements when the Board adopts the tax levy. Property tax revenues are recognized in the governmental fund financial statements when taxes are received by the District, except that revenue is accrued for taxes collected by the Gadsden County Tax Collector at fiscal year-end but not yet remitted to the District.

Millages and taxes levied for the current year are presented in a subsequent note.

4. Federal Revenue Sources

The District receives Federal awards for the enhancement of various educational programs. Federal awards are generally received based on applications submitted to, and approved by, various granting agencies. For Federal awards in which a claim to these grant proceeds is based on incurring eligible expenditures, revenue is recognized to the extent that eligible expenditures have been incurred.

5. Compensated Absences

In the government-wide financial statements, compensated absences (i.e., paid absences for employee vacation leave and sick leave) are accrued as liabilities to the extent that it is probable that the benefits will result in termination payments. A liability for these amounts is reported in the governmental fund financial statements only if it has matured, such as for occurrences of employee resignations and retirements. The liability for compensated absences includes salary-related benefits, where applicable.

II. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Cash Deposits with Financial Institutions

Custodial Credit Risk-Deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to the District. The District does not have a policy for custodial credit risk. All bank balances of the District are fully insured or collateralized as required by Chapter 280, Florida Statutes.

B. Investments

The District had the following investments at June 30, 2016:

<u>Investments</u>	<u>Maturities</u>	<u>Fair Value</u>
SBA:		
Florida PRIME (1)	39 Day Average	\$ 4,743,898.69
Debt Service Accounts	6 Months	<u>11,353.93</u>
Total Investments		<u>\$ 4,755,252.62</u>

Note: (1) This investment is reported as a cash equivalent for financial statement reporting purposes.

Fair Value Measurement

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; level 2 inputs are significant other observable inputs; and level 3 inputs are significant unobservable inputs. The SBA debt service accounts are valued using level 1 inputs.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses from increasing interest rates.

Florida PRIME uses a weighted average days to maturity (WAM). A portfolio's WAM reflects the average maturity in days based on final maturity or reset date, in the case of floating rate instruments. WAM measures the sensitivity of the portfolio to interest rate changes.

For Florida PRIME, Section 218.409(8)(a), Florida Statutes, states that "the principal, and any part thereof, of each account constituting the trust fund is subject to payment at any time from the moneys in the trust fund. However, the executive director may, in good faith, on the occurrence of an event that has a material impact on liquidity or operations of the trust fund, for 48 hours limit contributions to or withdrawals from the trust fund to ensure that the Board [State Board of Administration] can invest moneys entrusted to it in exercising its fiduciary responsibility. Such action must be immediately disclosed to all participants, the trustees, the Joint Legislative Auditing Committee, the Investment Advisory Council, and the Participant Local Government Advisory Council. The trustees shall convene an emergency meeting as soon as practicable from the time the executive director has instituted such measures and review the necessity of those measures. If the trustees are unable to convene an emergency meeting before the expiration of the 48-hour moratorium on contributions and

withdrawals, the moratorium may be extended by the executive director until the trustees are able to meet to review the necessity for the moratorium. If the trustees agree with such measures, the trustees shall vote to continue the measures for up to an additional 15 days. The trustees must convene and vote to continue any such measures before the expiration of the time limit set, but in no case may the time limit set by the trustees exceed 15 days.” As of June 30, 2016, there were no redemption fees or maximum transaction amounts, or any other requirements that serve to limit a participant’s daily access to 100 percent of their account value.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Section 218.415(17), Florida Statutes, limits investments to the SBA’s Florida PRIME, or any other intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act as provided in Section 163.01, Florida Statutes; Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency; interest-bearing time deposits in qualified public depositories, as defined in Section 280.02, Florida Statutes; and direct obligations of the United States Treasury. The District’s investment policy does not further limit its investment choices.

The District’s investments in the SBA debt service accounts are to provide for debt service payments on bond debt issued by the SBE for the benefit of the District. The District relies on policies developed by the SBA for managing interest rate risk and credit risk for this account. Disclosures for the debt service accounts are included in the notes to financial statements of the State’s Comprehensive Annual Financial Report.

The District’s investment in Florida PRIME is rated AAAm by Standard & Poor’s.

C. Notes Receivables

The District sold Chattahoochee High School, Havana North Side High School, and Greensboro Elementary School each to a separate not-for-profit corporation, and as part of the sales agreement, the District issued and held interest bearing notes receivable in the amount of the sales price. The first note was for \$500,000, bearing interest at 1 percent per annum, payable in monthly installments of \$2,299.47 until paid-in-full with the first installment received February 1, 2011. The second note was for \$205,000, bearing interest at 1 percent per annum, payable in monthly installments of \$942.78 until paid-in-full with the first installment received July 1, 2012. The third note was for \$220,000, bearing interest at 1 percent per annum, payable in monthly installments of \$1,011.77 until paid-in-full with the first installment due January 1, 2013. At June 30, 2016, the District’s remaining notes receivable balance was \$720,836.29.

D. Changes in Capital Assets

Changes in capital assets are presented in the table below:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
GOVERNMENTAL ACTIVITIES				
Capital Assets Not Being Depreciated:				
Land	\$ 1,744,588.29	\$ -	\$ -	\$ 1,744,588.29
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	4,906,428.48	21,322.81	-	4,927,751.29
Buildings and Fixed Equipment	97,308,674.42	-	-	97,308,674.42
Furniture, Fixtures, and Equipment	6,253,489.31	554,936.58	995,251.94	5,813,173.95
Motor Vehicles	7,916,864.29	-	202,495.00	7,714,369.29
Total Capital Assets Being Depreciated	<u>116,385,456.50</u>	<u>576,259.39</u>	<u>1,197,746.94</u>	<u>115,763,968.95</u>
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	3,444,362.03	130,395.88	-	3,574,757.91
Buildings and Fixed Equipment	33,894,026.25	2,158,557.15	-	36,052,583.40
Furniture, Fixtures, and Equipment	4,912,250.49	624,766.27	970,744.82	4,566,271.94
Motor Vehicles	5,386,057.50	551,474.18	202,495.00	5,735,036.68
Total Accumulated Depreciation	<u>47,636,696.27</u>	<u>3,465,193.48</u>	<u>1,173,239.82</u>	<u>49,928,649.93</u>
Total Capital Assets Being Depreciated, Net	<u>68,748,760.23</u>	<u>(2,888,934.09)</u>	<u>24,507.12</u>	<u>65,835,319.02</u>
Governmental Activities Capital Assets, Net	<u>\$ 70,493,348.52</u>	<u>\$ (2,888,934.09)</u>	<u>\$ 24,507.12</u>	<u>\$ 67,579,907.31</u>

Depreciation expense was charged to functions as follows:

<u>Function</u>	<u>Amount</u>
GOVERNMENTAL ACTIVITIES	
Student Transportation Services	\$ 551,474.18
Unallocated	<u>2,913,719.30</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 3,465,193.48</u>

E. Retirement Plans

1. FRS – Defined Benefit Pension Plans

General Information about the FRS

The FRS was created in Chapter 121, Florida Statutes, to provide a defined benefit pension plan for participating public employees. The FRS was amended in 1998 to add the Deferred Retirement Option Program (DROP) under the defined benefit plan and amended in 2000 to provide a defined contribution plan alternative to the defined benefit plan for FRS members effective July 1, 2002. This integrated defined contribution pension plan is the FRS Investment Plan. Chapter 112, Florida Statutes, established the Retiree HIS Program, a cost-sharing multiple-employer defined benefit pension plan, to assist retired members of any State-administered retirement system in paying the costs of health insurance.

Essentially all regular employees of the District are eligible to enroll as members of the State-administered FRS. Provisions relating to the FRS are established by Chapters 121 and

122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and FRS Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. Such provisions may be amended at any time by further action from the Florida Legislature. The FRS is a single retirement system administered by the Florida Department of Management Services, Division of Retirement, and consists of the two cost-sharing multiple-employer defined benefit plans and other nonintegrated programs. A comprehensive annual financial report of the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from the Florida Department of Management Services' Web site (www.dms.myflorida.com).

The District's FRS and HIS pension expense totaled \$1,025,882 for the fiscal year ended June 30, 2016.

FRS Pension Plan

Plan Description. The FRS Pension Plan (Plan) is a cost-sharing multiple-employer defined benefit pension plan, with a DROP for eligible employees. The general classes of membership are as follows:

- *Regular* – Members of the FRS who do not qualify for membership in the other classes.
- *Elected County Officers* – Members who hold specified elective offices in local government.
- *Senior Management Service* – Members in senior management level positions.

Employees enrolled in the Plan prior to July 1, 2011, vest at 6 years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at 8 years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service. All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service. Employees enrolled in the Plan may include up to 4 years of credit for military service toward creditable service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments to eligible participants.

DROP, subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with an FRS participating employer. An employee may participate in DROP for a period not to exceed 60 months after electing to participate, except that certain instructional personnel may participate for up to 96 months. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest. The net pension liability does not include amounts for DROP participants, as these members are considered retired and are not accruing additional pension benefits.

Benefits Provided. Benefits under the Plan are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is

expressed as a percentage of the average final compensation. For members initially enrolled before July 1, 2011, the average final compensation is the average of the 5 highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the 8 highest fiscal years' earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on the retirement class to which the member belonged when the service credit was earned. Members are eligible for in-line-of-duty or regular disability and survivors' benefits. The following chart shows the percentage value for each year of service credit earned:

<u>Class, Initial Enrollment, and Retirement Age/Years of Service</u>	<u>Percent Value</u>
Regular members initially enrolled before July 1, 2011	
Retirement up to age 62 or up to 30 years of service	1.60
Retirement at age 63 or with 31 years of service	1.63
Retirement at age 64 or with 32 years of service	1.65
Retirement at age 65 or with 33 or more years of service	1.68
Regular members initially enrolled on or after July 1, 2011	
Retirement up to age 65 or up to 33 years of service	1.60
Retirement at age 66 or with 34 years of service	1.63
Retirement at age 67 or with 35 years of service	1.65
Retirement at age 68 or with 36 or more years of service	1.68
Elected County Officers	3.00
Senior Management Service	2.00

As provided in Section 121.101, Florida Statutes, if the member is initially enrolled in the FRS before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment is 3 percent per year. If the member is initially enrolled before July 1, 2011, and has service credit on or after July 1, 2011, there is an individually calculated cost-of-living adjustment. The annual cost-of-living adjustment is a proportion of 3 percent determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by 3 percent. Plan members initially enrolled on or after July 1, 2011, will not have a cost-of-living adjustment after retirement.

Contributions. The Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates during the 2015-16 fiscal year were as follows:

<u>Class</u>	<u>Percent of Gross Salary</u>	
	<u>Employee</u>	<u>Employer (1)</u>
FRS, Regular	3.00	7.26
FRS, Elected County Officers	3.00	42.27
FRS, Senior Management Service	3.00	21.43
DROP - Applicable to		
Members from All of the Above Classes	0.00	12.88
FRS, Reemployed Retiree	(2)	(2)

Notes: (1) Employer rates include 1.66 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include 0.04 percent for administrative costs of the Investment Plan.

(2) Contribution rates are dependent upon retirement class in which reemployed.

The District's contributions to the Plan totaled \$1,663,150 for the fiscal year ended June 30, 2016.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2016, the District reported a liability of \$9,907,535 for its proportionate share of the Plan's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. The District's proportionate share of the net pension liability was based on the District's 2014-15 fiscal year contributions relative to the total 2014-15 fiscal year contributions of all participating members. At June 30, 2015, the District's proportionate share was 0.076705428 percent, which was a decrease of 0.00502457 from its proportionate share measured as of June 30, 2014.

For the fiscal year ended June 30, 2016, the District recognized the Plan pension expense of \$462,442. In addition, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,045,942	\$ 234,977
Change of assumptions	657,596	-
Net difference between projected and actual earnings on FRS pension plan investments	-	2,365,754
Changes in proportion and differences between District FRS contributions and proportionate share of contributions	-	1,181,747
District FRS contributions subsequent to the measurement date	1,663,150	-
Total	\$ 3,366,688	\$ 3,782,478

The deferred outflows of resources related to pensions resulting from District contributions to the Plan subsequent to the measurement date, totaling \$1,663,150, will be recognized as a reduction

of the net pension liability in the fiscal year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2017	\$ (1,006,734)
2018	(1,006,734)
2019	(1,006,734)
2020	945,087
2021	3,862
Thereafter	<u>(7,687)</u>
Total	<u>\$ (2,078,940)</u>

Actuarial Assumptions. The total pension liability in the July 1, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60 percent
Salary increases	3.25 percent, average, including inflation
Investment rate of return	7.65 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the Generational RP-2000 with Projection Scale BB.

The actuarial assumptions used in the July 1, 2015, valuation were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013.

The long-term expected rate of return on pension plan investments was not based on historical returns, but instead is based on a forward-looking capital market economic model. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption. The target allocation and best estimates of arithmetic and geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation (1)	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1%	3.2%	3.1%	1.7%
Fixed Income	18%	4.8%	4.7%	4.7%
Global Equity	53%	8.5%	7.2%	17.7%
Real Estate (Property)	10%	6.8%	6.2%	12.0%
Private Equity	6%	11.9%	8.2%	30.0%
Strategic Investments	12%	6.7%	6.1%	11.4%
Total	100%			
Assumed Inflation - Mean		2.6%		1.9%

Note: (1) As outlined in the Plan's investment policy.

Discount Rate. The discount rate used to measure the total pension liability was 7.65 percent. The Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.65 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.65 percent) or 1 percentage point higher (8.65 percent) than the current rate:

	1% Decrease (6.65%)	Current Discount Rate (7.65%)	1% Increase (8.65%)
District's proportionate share of the net pension liability (asset)	\$ 25,672,663	\$ 9,907,535	\$ (3,211,642)

Pension Plan Fiduciary Net Position. Detailed information about the Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State Administered Systems Comprehensive Annual Financial Report.

Payables to the Pension Plan. At June 30, 2016, the District reported a payable of \$422,586 for the outstanding amount of contributions to the Plan required for the fiscal year ended June 30, 2016.

HIS Pension Plan

Plan Description. The HIS Pension Plan (HIS Plan) is a cost-sharing multiple-employer defined benefit pension plan established under Section 112.363, Florida Statutes, and may be amended by the Florida Legislature at any time. The benefit is a monthly payment to assist retirees of

State-administered retirement systems in paying their health insurance costs and is administered by the Florida Department of Management Services, Division of Retirement.

Benefits Provided. For the fiscal year ended June 30, 2016, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS Plan benefit, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Federal Medicare.

Contributions. The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended June 30, 2016, the contribution rate was 1.66 percent of payroll pursuant to Section 112.363, Florida Statutes. The District contributed 100 percent of its statutorily required contributions for the current and preceding 3 years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled.

The District's contributions to the HIS Plan totaled \$469,854 for the fiscal year ended June 30, 2016.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2016, the District reported a net pension liability of \$9,791,583 for its proportionate share of the HIS Plan's net pension liability. The current portion of the net pension liability is the District's proportionate share of benefit payments expected to be paid within 1 year, net of the District's proportionate share of the pension plan's fiduciary net position available to pay that amount. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014, and update procedures were used to determine liabilities as of July 1, 2015. The District's proportionate share of the net pension liability was based on the District's 2014-15 fiscal year contributions relative to the total 2014-15 fiscal year contributions of all participating members. At June 30, 2015, the District's proportionate share was 0.096010715 percent, which was a decrease of 0.00577031 from its proportionate share measured as of June 30, 2014.

For the fiscal year ended June 30, 2016, the District recognized the HIS Plan pension expense of \$563,440. In addition, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Change of assumptions	\$ 770,343	\$ -
Net difference between projected and actual earnings on HIS pension plan investments	5,301	-
Changes in proportion and differences between District HIS contributions and proportionate share of HIS contributions	-	935,598
District contributions subsequent to the measurement date	469,854	-
Total	\$ 1,245,498	\$ 935,598

The deferred outflows of resources related to pensions resulting from District contributions to the HIS Plan subsequent to the measurement date, totaling \$469,854, will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2017	\$ (25,059)
2018	(25,059)
2019	(25,059)
2020	(26,137)
2021	(26,654)
Thereafter	(31,986)
Total	\$ (159,954)

Actuarial Assumptions. The total pension liability in the July 1, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60 percent
Salary increases	3.25 percent, average, including inflation
Municipal bond rate	3.80 percent

Mortality rates were based on the Generational RP-2000 with Projected Scale BB.

While an experience study had not been completed for the HIS Plan, the actuarial assumptions that determined the total pension liability for the HIS Plan were based on certain results of the most recent experience study for the FRS Plan.

Discount Rate. The discount rate used to measure the total pension liability was 3.8 percent. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal

to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 3.8 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.8 percent) or 1 percentage point higher (4.8 percent) than the current rate:

	1% Decrease (2.8%)	Current Discount Rate (3.8%)	1% Increase (4.8%)
District's proportionate share of the net pension liability	\$ 11,157,053	\$ 9,791,583	\$ 8,952,986

Pension Plan Fiduciary Net Position. Detailed information about the HIS Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State Administered Systems Comprehensive Annual Financial Report.

Payables to the Pension Plan. At June 30, 2016, the District reported a payable of \$81,015 for the outstanding amount of contributions to the HIS Plan required for the fiscal year ended June 30, 2016.

2. FRS – Defined Contribution Pension Plan

The SBA administers the defined contribution plan officially titled the FRS Investment Plan (Investment Plan). The Investment Plan is reported in the SBA's annual financial statements and in the State of Florida Comprehensive Annual Financial Report.

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined benefit plan. District employees participating in DROP are not eligible to participate in the Investment Plan. Employer and employee contributions, including amounts contributed to individual member's accounts, are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Retirement benefits are based upon the value of the member's account upon retirement. Benefit terms, including contribution requirements, for the Investment Plan are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contribution rates that are based on salary and membership class (Regular, Elected County Officers, etc.), as the FRS defined benefit plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.04 percent of payroll and by forfeited benefits of plan members. Allocations to the Investment Plan members' accounts during the 2015-16 fiscal year were as follows:

<u>Class</u>	<u>Percent of Gross Compensation</u>
FRS, Regular	6.30
FRS, Elected County Officers	11.34
FRS, Senior Management Service	7.67

For all membership classes, employees are immediately vested in their own contributions and are vested after 1 year of service for employer contributions and investment earnings, regardless of membership class. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the Investment Plan, the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to 5 years. If the employee returns to FRS-covered employment within the 5-year period, the employee will regain control over their account. If the employee does not return within the 5-year period, the employee will forfeit the accumulated account balance. For the fiscal year ended June 30 2016, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the District.

After termination and applying to receive benefits, the member may rollover vested funds to another qualified plan, structure a periodic payment under the Investment Plan, receive a lump-sum distribution, leave the funds invested for future distribution, or any combination of these options. Disability coverage is provided; the member may either transfer the account balance to the FRS Pension Plan when approved for disability retirement to receive guaranteed lifetime monthly benefits under the FRS Pension Plan, or remain in the Investment Plan and rely upon that account balance for retirement income.

The District's Investment Plan pension expense totaled \$156,585 for the fiscal year ended June 30, 2016.

At June 30, 2016, the District reported a payable of \$46,671.09 for the outstanding amount of contributions to the Investment Plan required for the fiscal year ended June 30, 2016.

F. Other Postemployment Benefit Obligations

Plan Description. The Other Postemployment Benefits Plan (OPEB Plan) is a single-employer defined benefit plan administered by the District. Pursuant to the provisions of Section 112.0801, Florida Statutes, employees who retire from the District are eligible to participate in the District's health and hospitalization plan for medical and prescription drug coverage. The District subsidizes the premium rates paid by retirees by allowing them to participate in the OPEB Plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the OPEB Plan on average than those of active employees. Pursuant to Section 112.0801, Florida Statutes, the District contributes \$30 per month towards single health insurance coverage for former employees who retired prior to May 2, 2001.

The benefits provided under this defined plan are provided for a fixed number of years determined at the time of retirement based on the number of years worked for the District and may be amended by Board action. Retirees are assumed to enroll in the Federal Medicare program for their primary coverage as soon as they are eligible. The OPEB Plan does not issue a stand-alone report, and is not included in the report of a public employee retirement system or other entity.

Funding Policy. Plan contribution requirements of the District and OPEB Plan members are established and may be amended through recommendations of the Insurance Committee and action from the Board. The District has not advance-funded or established a funding methodology for the annual OPEB costs or the net OPEB obligation, and the OPEB Plan is financed on a pay-as-you-go basis. For the 2015-16 fiscal year, 166 retirees received other postemployment benefits. The District provided required contributions of \$412,403 toward the annual OPEB cost, net of retiree contributions totaling \$381,833.57, which represents 1.6 percent of covered payroll.

Annual OPEB Cost and Net OPEB Obligation. The District's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with parameters of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The ARC represents a level of funding that if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table shows the District's annual OPEB cost for the fiscal year, the amount actually contributed to the OPEB Plan, and changes in the District's net OPEB obligation:

<u>Description</u>	<u>Amount</u>
Normal Cost (service cost for 1 year)	\$ 126,431
Amortization of Unfunded Actuarial Accrued Liability	<u>464,374</u>
Annual Required Contribution	590,805
Interest on Net OPEB Obligation	126,468
Adjustment to Annual Required Contribution	<u>(306,589)</u>
Annual OPEB Cost (Expense)	410,684
Contribution Toward the OPEB Cost	<u>(412,403)</u>
Decrease in Net OPEB Obligation	(1,719)
Net OPEB Obligation, Beginning of Year	<u>3,372,479</u>
Net OPEB Obligation, End of Year	<u><u>\$3,370,760</u></u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the OPEB Plan, and the net OPEB obligation as of June 30, 2016, and the 2 preceding fiscal years, were as follows:

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2013-14	\$ 684,359	57.1%	\$ 3,399,739
2014-15	388,038	107.0%	3,372,479
2015-16	410,684	100.4%	3,370,760

Funded Status and Funding Progress. As of October 1, 2014, the most recent valuation date, the actuarial accrued liability for benefits was \$4,883,685, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$4,883,685 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$23,458,889, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 20.6 percent.

Actuarial valuations of an ongoing OPEB Plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and termination, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the OPEB Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress immediately following the notes to financial statements as required supplementary information, presents multiyear trend information about whether the actuarial value of OPEB Plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive OPEB Plan provisions, as understood by the employer and participating members, and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and participating members. The actuarial calculations of the OPEB Plan reflect a long-term perspective. Consistent with this perspective, the actuarial valuations used actuarial methods and assumptions that include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

The District's OPEB actuarial valuation as of October 1, 2014, used the entry age normal actuarial cost method to estimate the unfunded actuarial liability as of June 30, 2016, and to estimate the District's 2015-16 fiscal year ARC. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 3.75 percent rate of return on invested assets. The actuarial assumptions also included a payroll growth rate of 3.75 percent per year, projected salary increase of 3.7 to 7.8 percent, and an annual healthcare cost trend rate of 7 percent beginning October 1, 2016, declining over a 24-year period to the ultimate rate of 4.24 percent beginning October 1, 2040. The investment rate of return and projected salary increase rates include a general price inflation of 2.5 percent. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis over an 11-year period. The remaining amortization period at June 30, 2016, was 10 years.

G. Other Significant Commitments

Encumbrances. Appropriations in governmental funds are encumbered upon issuance of purchase orders for goods and services. Even though appropriations lapse at the end of the fiscal year, unfilled purchase orders of the current year are carried forward and the next fiscal year's appropriations are likewise encumbered.

The following is a schedule of encumbrances at June 30, 2016:

<u>Major Funds</u>		
<u>General</u>	<u>Special Revenue - Food Service</u>	<u>Total Governmental Funds</u>
\$ 47,222	\$ 95,427	\$ 142,649

H. Risk Management Programs

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Workers' compensation, automobile liability, general liability, buildings and contents, boiler and machinery, errors and omissions, and employee health and hospitalization, life and dental coverage are being provided through purchased commercial insurance with minimum deductibles for each line of coverage.

Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past 3 fiscal years.

I. Long-Term Liabilities

1. Installment-Purchases Payable

The classes and amounts of property being acquired under installment-purchases are as follows:

	<u>Asset Balance</u>
Disaster Recovery Equipment	\$ 163,835
Buses	<u>1,074,867</u>
Total	<u>\$ 1,238,702</u>

Future minimum installment-purchase payments and the present value of the minimum installment-purchase payments as of June 30 are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2017	\$279,031.29	\$269,670.19	\$ 9,361.10
2018	<u>222,281.45</u>	<u>218,565.83</u>	<u>3,715.62</u>
Total	<u>\$501,312.74</u>	<u>\$488,236.02</u>	<u>\$13,076.72</u>

The stated interest rate is 3.58 percent for the disaster recovery equipment and 1.7 percent for the buses.

2. Note Payable

Note payable at June 30, 2016, is as follows:

<u>Note Description</u>	<u>Amount Outstanding</u>	<u>Interest Rate (Percent)</u>	<u>Annual Maturity To</u>
Section 1011.14, Florida Statutes, Note: Havana Middle School Addition	<u>\$892,041.24</u>	2.76	2018

The District entered into a note totaling \$1,725,000 in October 2013 as allowed under the provisions of Section 1011.14, Florida Statutes, which authorizes district school boards to create obligations for a period of 1 year. This obligation is allowed in anticipation of budgeted revenues accruing on a current basis without pledging the credit of the District or requiring future levy of taxes for certain purposes. This obligation may be extended from year to year, with the consent of the lender, for a period not to exceed 4 years, for a total of 5 years, including the initial year of the loan. This obligation was undertaken to finance the construction of a classroom wing at Havana Magnet School (formerly known as Havana Middle School Addition project).

Amounts payable for the planned extended repayment of the Section 1011.14, Florida Statutes, bank loan are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2017	\$371,723.67	\$349,498.34	\$22,225.33
2018	371,723.66	359,211.05	12,512.61
2019	185,861.83	183,331.85	2,529.98
Total	<u>\$929,309.16</u>	<u>\$892,041.24</u>	<u>\$37,267.92</u>

3. Bonds Payable

Bonds payable at June 30, 2016, are as follows:

<u>Bond Type</u>	<u>Amount Outstanding</u>	<u>Interest Rates (Percent)</u>	<u>Annual Maturity To</u>
State School Bonds:			
Series 2009A, Refunding	\$ 35,000.00	5	2019
Series 2014B, Refunding	430,000.00	2 - 5	2020
Sales Tax Revenue Bonds:			
Series 2013	<u>2,051,354.83</u>	3.28	2028
Total Bonds Payable	<u>\$2,516,354.83</u>		

The various bonds were issued to finance capital outlay projects of the District. The following is a description of the bonded debt issues:

State School Bonds

These bonds are issued by the SBE on behalf of the District. The bonds mature serially, and are secured by a pledge of the District’s portion of the State-assessed motor vehicle license tax. The State’s full faith and credit is also pledged as security for these bonds. Principal and interest payments, investment of debt service fund resources, and compliance with reserve requirements are administered by the SBE and the SBA.

Sales Tax Revenue Bonds, Series 2013 (Pari-Mutuel Revenues Replacement Program)

These bonds are authorized by Chapter 57-665 and 70-693, Section 212.20, Florida Statutes, and a resolution adopted by the Gadsden County District School Board on October 22, 2013. These bonds are secured by pari-mutuel replacement revenues distributed annually to Gadsden County from the State pursuant to Section 212.20(6)(d)6.a., Florida Statutes, as a replacement for moneys distributed under Section 550.135, Florida Statutes, prior to July 1, 2000.

The District has pledged a total of \$2,517,083.31 of sales tax revenues in connection with the District Sales Tax Bonds, Series 2013, described above. During the 2015-16 fiscal year, the District recognized sales tax revenues totaling \$223,250 and expended \$201,366.08 (90 percent) of these revenues for debt service directly collateralized by these revenues. The pledged sales tax revenues are committed until final maturity of the debt on July 1, 2028. Approximately 87 percent of this revenue stream has been pledged in connection with debt service on the revenue bonds.

Annual requirements to amortize all bonded debt outstanding as of June 30, 2016, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
State School Bonds:			
2017	\$ 218,530.00	\$ 196,000.00	\$ 22,530.00
2018	214,730.00	202,000.00	12,730.00
2019	45,630.00	43,000.00	2,630.00
2020	24,480.00	24,000.00	480.00
Total State School Bonds	<u>503,370.00</u>	<u>465,000.00</u>	<u>38,370.00</u>
Sales Tax Revenue Bonds:			
2017	201,366.63	135,181.66	66,184.97
2018	201,366.62	139,651.97	61,714.65
2019	201,366.62	144,270.12	57,096.50
2020	201,366.62	149,040.98	52,325.64
2021	201,366.63	153,969.62	47,397.01
2022-2026	1,006,833.10	849,674.41	157,158.69
2027-2029	503,417.09	479,566.07	23,851.02
Total Sales Tax Revenue Bonds	<u>2,517,083.31</u>	<u>2,051,354.83</u>	<u>465,728.48</u>
Total	<u>\$ 3,020,453.31</u>	<u>\$ 2,516,354.83</u>	<u>\$ 504,098.48</u>

4. Changes in Long-Term Liabilities

The following is a summary of changes in long-term liabilities:

Description	Beginning Balance	Additions	Deductions	Ending Balance	Due In One Year
GOVERNMENTAL ACTIVITIES					
Installment-Purchases Payable	\$ 752,381.17	\$ -	\$ 264,145.15	\$ 488,236.02	\$ 269,670.19
Note Payable	1,232,089.49	-	340,048.25	892,041.24	349,498.34
Bonds Payable	2,830,209.27	-	313,854.44	2,516,354.83	331,181.66
Compensated Absences Payable	2,531,685.93	102,211.69	377,676.91	2,256,220.71	599,999.73
Other Postemployment Benefits Payable	3,372,479.00	410,684.00	412,403.00	3,370,760.00	-
Net Pension Liability	14,503,506.00	12,713,903.00	7,518,291.00	19,699,118.00	359,379.00
Total Governmental Activities	\$25,222,350.86	\$13,226,798.69	\$9,226,418.75	\$29,222,730.80	\$1,909,728.92

For the governmental activities, compensated absences, pensions, and other postemployment benefits are generally liquidated with resources of the General Fund.

J. Fund Balance Reporting

In addition to committed and assigned fund balance categories discussed in the **Fund Balance Policies** note disclosure, fund balances may be classified as follows:

- **Nonspendable Fund Balance.** Nonspendable fund balance is the net current financial resources that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. Generally, not in spendable form means that an item is not expected to be converted to cash.
- **Restricted Fund Balance.** Restricted fund balance is the portion of fund balance on which constraints have been placed by creditors, grantors, contributors, laws or regulations of other governments, constitutional provisions, or enabling legislation. Restricted fund balance places the most binding level of constraint on the use of fund balance.
- **Unassigned Fund Balance.** The unassigned fund balance is the portion of fund balance that is the residual classification for the General Fund. This balance represents amounts that have not been assigned to other funds and that have not been restricted, committed, or assigned for specific purposes.

K. Interfund Receivables and Payables

The following is a summary of interfund receivables and payables reported in the fund financial statements:

Funds	Interfund	
	Receivables	Payables
Major:		
General	\$ 1,343,411.46	\$ -
Special Revenue:		
Other	-	1,292,466.14
Fiduciary	-	50,945.32
Total	\$ 1,343,411.46	\$ 1,343,411.46

The interfund balance between the General Fund and Special Revenue – Other Fund represents temporary borrowing of cash to cover projects that are awaiting reimbursement from other agencies. The interfund balance between the General Fund and Fiduciary Funds represents cash collected by Gadsden Technical Institute but not yet remitted to the General Fund. These amounts are expected to be repaid within 1 year.

L. Revenues

1. Schedule of State Revenue Sources

The following is a schedule of the District’s State revenue sources for the 2015-16 fiscal year:

<u>Source</u>	<u>Amount</u>
Florida Education Finance Program	\$ 24,861,065.00
Categorical Educational Program - Class Size Reduction	5,756,308.00
Voluntary Prekindergarten Program	589,615.15
Workforce Development Program	452,197.00
Motor Vehicle License Tax (Capital Outlay and Debt Service)	283,092.72
Gross Receipts Tax (Public Education Capital Outlay)	182,654.00
School Recognition	121,993.00
Charter School Capital Outlay	106,382.00
Food Service Supplement	78,593.00
Miscellaneous	375,728.63
Total	\$ 32,807,628.50

Accounting policies relating to certain State revenue sources are described in Note I.G.2.

2. Property Taxes

The following is a summary of millages and taxes levied on the 2015 tax roll for the 2015-16 fiscal year:

<u>General Fund</u>	<u>Millages</u>	<u>Taxes Levied</u>
Nonvoted School Tax:		
Required Local Effort	4.813	\$ 7,157,293
Basic Discretionary Local Effort	0.748	1,112,332
<u>Capital Projects - Local Capital Improvement Fund</u>		
Nonvoted Tax:		
Local Capital Improvements	1.500	2,230,613
Total	7.061	\$ 10,500,238

M. Interfund Transfers

The following is a summary of interfund transfers reported in the fund financial statements:

<u>Funds</u>	<u>Interfund</u>	
	<u>Transfers In</u>	<u>Transfers Out</u>
Major:		
General	\$ 1,450,618.80	\$ -
Nonmajor Governmental	472,406.97	1,923,025.77
Total	<u>\$ 1,923,025.77</u>	<u>\$ 1,923,025.77</u>

The transfers to the General Fund were for maintenance and property casualty insurance premiums paid from the General Fund and reimbursed with nonmajor capital projects funds. The balance of the nonmajor governmental funds transfer was to pay the current year debt service payment on the notes and bonds payable that were issued for the Havana Magnet School (formerly known as the Havana Middle School Addition project).

OTHER REQUIRED SUPPLEMENTARY INFORMATION

Budgetary Comparison Schedule General and Major Special Revenue Funds For the Fiscal Year Ended June 30, 2016

	General Fund			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues				
Intergovernmental:				
Federal Direct	\$ 127,428.20	\$ 110,204.88	\$ 110,204.88	\$ -
Federal Through State and Local	671,859.27	759,415.52	759,415.52	-
State	29,680,255.27	32,156,906.78	32,156,906.78	-
Local:				
Property Taxes	7,970,875.98	8,377,607.55	7,994,792.55	(382,815.00)
Charges for Services - Food Service	-	-	-	-
Miscellaneous	51,000.00	1,103,127.66	1,154,072.98	50,945.32
Total Local Revenues	<u>8,021,875.98</u>	<u>9,480,735.21</u>	<u>9,148,865.53</u>	<u>(331,869.68)</u>
Total Revenues	<u>38,501,418.72</u>	<u>42,507,262.39</u>	<u>42,175,392.71</u>	<u>(331,869.68)</u>
Expenditures				
Current - Education:				
Instruction	22,540,670.16	22,674,600.56	22,674,600.56	-
Student Support Services	1,881,000.00	1,889,271.72	1,889,271.72	-
Instructional Media Services	608,500.00	681,457.94	681,457.94	-
Instruction and Curriculum Development Services	921,500.00	946,046.15	946,046.15	-
Instructional Staff Training Services	187,800.00	248,102.43	248,102.43	-
Instruction-Related Technology	58,000.00	327,494.49	327,494.49	-
Board	311,000.00	610,664.68	610,664.68	-
General Administration	476,900.00	727,789.33	727,789.33	-
School Administration	3,565,000.00	3,301,413.89	3,301,413.89	-
Facilities Acquisition and Construction	92,000.00	242,278.39	242,278.39	-
Fiscal Services	534,150.00	514,892.88	514,892.88	-
Food Services	14,600.00	26,541.75	26,541.75	-
Central Services	342,800.00	412,911.87	412,911.87	-
Student Transportation Services	3,279,600.00	2,692,670.45	2,692,670.45	-
Operation of Plant	3,627,093.48	5,421,185.29	5,421,185.29	-
Maintenance of Plant	1,065,105.05	1,168,460.79	1,168,460.79	-
Administrative Technology Services	530,000.00	706,096.92	706,096.92	-
Community Services	-	23,522.58	23,522.58	-
Fixed Capital Outlay:				
Facilities Acquisition and Construction	-	-	-	-
Other Capital Outlay	-	-	-	-
Debt Service:				
Principal	-	52,825.26	52,825.26	-
Interest and Fiscal Charges	-	3,924.58	3,924.58	-
Total Expenditures	<u>40,035,718.69</u>	<u>42,672,151.95</u>	<u>42,672,151.95</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,534,299.97)</u>	<u>(164,889.56)</u>	<u>(496,759.24)</u>	<u>(331,869.68)</u>
Other Financing Sources (Uses)				
Transfers In	1,441,930.00	1,450,618.80	1,450,618.80	-
Sale of Capital Assets	-	39,104.00	39,104.00	-
Insurance Loss Recoveries	-	11,774.71	11,774.71	-
Transfers Out	(112,325.00)	-	-	-
Total Other Financing Sources (Uses)	<u>1,329,605.00</u>	<u>1,501,497.51</u>	<u>1,501,497.51</u>	<u>-</u>
Net Change in Fund Balances	<u>(204,694.97)</u>	<u>1,336,607.95</u>	<u>1,004,738.27</u>	<u>(331,869.68)</u>
Fund Balances, Beginning	1,559,311.54	1,915,410.30	1,915,410.30	-
Fund Balances, Ending	<u>\$ 1,354,616.57</u>	<u>\$ 3,252,018.25</u>	<u>\$ 2,920,148.57</u>	<u>\$ (331,869.68)</u>

Special Revenue - Food Service Fund				Special Revenue - Other Fund			
Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
\$ -	\$ -	\$ -	\$ -	\$ 1,251,442.34	\$ 2,255,962.11	\$ 2,255,962.11	\$ -
5,221,460.61	4,364,832.54	4,737,937.21	373,104.67	6,220,370.00	6,846,863.03	6,842,364.01	(4,499.02)
71,120.00	78,593.00	78,593.00	-	1,516,872.34	-	-	-
-	-	-	-	-	-	-	-
90,000.00	407,076.90	117,709.05	(289,367.85)	-	-	-	-
-	-	295.50	295.50	-	-	-	-
90,000.00	407,076.90	118,004.55	(289,072.35)	-	-	-	-
5,382,580.61	4,850,502.44	4,934,534.76	84,032.32	8,988,684.68	9,102,825.14	9,098,326.12	(4,499.02)
-	-	-	-	4,996,170.07	4,813,674.37	4,813,674.37	-
-	-	-	-	691,734.78	966,356.78	966,356.78	-
-	-	-	-	-	20,271.09	20,271.09	-
-	-	-	-	1,033,748.00	1,086,977.27	1,086,977.27	-
-	-	-	-	928,903.73	734,655.60	734,655.60	-
-	-	-	-	386,509.00	58,531.87	58,531.87	-
-	-	-	-	-	-	-	-
-	-	-	-	193,593.10	336,942.41	336,942.41	-
-	-	-	-	30,000.00	33,772.30	33,772.30	-
-	-	-	-	-	113,149.83	113,149.83	-
-	-	-	-	-	-	-	-
5,382,580.61	4,235,835.17	4,235,835.17	-	-	12,918.46	12,918.46	-
-	-	-	-	205,250.00	126,026.48	126,026.48	-
-	-	-	-	587,711.00	408,074.70	408,074.70	-
-	-	-	-	47,390.00	97,209.60	97,209.60	-
-	-	-	-	-	2,523.58	2,523.58	-
-	-	-	-	-	5,910.66	5,910.66	-
-	-	-	-	-	54,220.38	54,220.38	-
-	3,157.42	3,157.42	-	-	119,081.47	119,081.47	-
-	156,620.55	156,620.55	-	-	112,528.29	112,528.29	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
5,382,580.61	4,395,613.14	4,395,613.14	-	9,101,009.68	9,102,825.14	9,102,825.14	-
-	454,889.30	538,921.62	84,032.32	(112,325.00)	-	(4,499.02)	(4,499.02)
-	-	-	-	112,325.00	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	112,325.00	-	-	-
-	454,889.30	538,921.62	84,032.32	-	-	(4,499.02)	(4,499.02)
911,139.54	788,755.56	788,755.56	-	-	-	4,499.02	4,499.02
\$ 911,139.54	\$ 1,243,644.86	\$ 1,327,677.18	\$ 84,032.32	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00

**Schedule of Funding Progress –
Other Postemployment Benefits Plan**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (1) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
October 1, 2010	\$ -	\$ 6,652,347	\$ 6,652,347	0.0%	\$ 22,076,006	30.13%
October 1, 2012	-	6,352,975	6,352,975	0.0%	24,755,820	25.66%
October 1, 2014	-	4,833,685	4,833,685	0.0%	23,458,889	20.60%

Note: (1) The District's OPEB actuarial valuation used the entry age normal actuarial cost method to estimate the actuarial accrued liability.

**Schedule of the District's Proportionate Share
of the Net Pension Liability –
Florida Retirement System Pension Plan (1)**

	2015	2014	2013
District's proportion of the FRS net pension liability	0.076705428%	0.081729998%	0.086175321%
District's proportionate share of the FRS net pension liability	\$ 9,907,535	\$ 4,986,732	\$ 14,834,608
District's covered-employee payroll	\$ 27,140,369	\$ 28,212,533	\$ 29,399,137
District's proportionate share of the FRS net pension liability as a percentage of its covered-employee payroll	36.50%	17.68%	50.46%
FRS Plan fiduciary net position as a percentage of the total pension liability	92.00%	96.09%	88.54%

Note: (1) The amounts presented for each fiscal year were determined as of June 30.

**Schedule of District Contributions –
Florida Retirement System Pension Plan (1)**

	2016	2015	2014
Contractually required FRS contribution	\$ 1,663,150	\$ 1,870,143	\$ 1,790,234
FRS contributions in relation to the contractually required contribution	(1,663,150)	(1,870,143)	(1,790,234)
FRS contribution deficiency (excess)	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 26,173,151	\$ 27,140,369	\$ 28,212,533
FRS contributions as a percentage of covered-employee payroll	6.35%	6.89%	6.35%

Note: (1) The amounts presented for each fiscal year were determined as of June 30.

**Schedule of the District's Proportionate Share
of the Net Pension Liability –
Health Insurance Subsidy Pension Plan (1)**

	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's proportion of the HIS net pension liability	0.096010715%	0.101781025%	0.109538012%
District's proportionate share of the HIS net pension liability	\$ 9,791,583	\$ 9,516,774	\$ 9,536,724
District's covered-employee payroll	\$ 29,143,950	\$ 30,277,610	\$ 31,821,650
District's proportionate share of the HIS net pension liability as a percentage of its covered-employee payroll	33.60%	31.43%	29.97%
HIS Plan fiduciary net position as a percentage of the total pension liability	0.50%	0.99%	1.78%

Note: (1) The amounts presented for each fiscal year were determined as of June 30.

**Schedule of District Contributions –
Health Insurance Subsidy Pension Plan (1)**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required HIS contribution	\$ 469,854	\$ 367,013	\$ 348,668
HIS contributions in relation to the contractually required contribution	(469,854)	(367,013)	(348,668)
HIS contribution deficiency (excess)	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 28,331,182	\$ 29,143,950	\$ 30,277,610
HIS contributions as a percentage of covered-employee payroll	1.66%	1.26%	1.15%

Note: (1) The amounts presented for each fiscal year were determined as of June 30.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

1. Budgetary Basis of Accounting

The Board follows procedures established by State statutes and State Board of Education (SBE) rules in establishing budget balances for governmental funds, as described below:

- Budgets are prepared, public hearings are held, and original budgets are adopted annually for all governmental fund types in accordance with procedures and time intervals prescribed by law and SBE rules.
- Appropriations are controlled at the object level (e.g., salaries, purchased services, and capital outlay) within each activity (e.g., instruction, student transportation services, and school administration) and may be amended by resolution at any Board meeting prior to the due date for the annual financial report.
- Budgets are prepared using the same modified accrual basis as is used to account for governmental funds.
- Budgetary information is integrated into the accounting system and, to facilitate budget control, budget balances are encumbered when purchase orders are issued. Appropriations lapse at

fiscal year-end and encumbrances outstanding are honored from the subsequent year's appropriations.

2. Schedule of Funding Progress – Other Postemployment Benefits Plan

The October 1, 2014, unfunded actuarial accrued liability of \$4,833,685 was significantly lower than the October 1, 2012, liability of \$6,352,975 as a result of changes in liabilities and costs as discussed below:

- *Population Changes:* The number of active employees eligible for future post-employment benefits decreased from 739 to 687. This change had a decreasing effect on cost and liability.
- *Initial Cost of Coverage:* The total cost of coverage decreased from \$534 per employee per month to \$523 per employee per month, which is lower than the projected \$626 per employee per month. This change had a decreasing effect on cost and liability.
- *Medical Trend Assumption:* Revisions were made in the assumed trend for medical costs and premiums. In the October 1, 2012, valuation the trends for costs and premiums were assumed to be 7.5 percent for the year beginning October 1, 2015, with subsequent trend rates decreasing 0.5 percent each year thereafter to the ultimate rate of 5 percent. The trends for costs and premiums were revised to 7.5 percent then declining over a 25-year period to the ultimate value of 4.24 percent, decreasing cost and liability.
- *Retiree Medical Coverage Assumptions:* The Blue Cross Blue Shield plan option was removed from all non-Medicare-eligible members. As a result eligible members now participate in separate plans which are not considered to be subsidized by the employer. Accordingly, the lapsing rate of retirees attaining age 65 was revised to 100 percent from 90 percent. This change had a significant decreasing effect on cost and liability.

3. Schedule of Net Pension Liability and Schedule of Contributions – Health Insurance Subsidy Pension Plan

Changes of Assumptions. The municipal bond rate used to determine total pension liability was decreased from 4.29 percent to 3.8 percent.

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Gadsden County District School Board Schedule of Expenditures of Federal Awards For the Fiscal Year Ended June 30, 2016

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass - Through Grantor Number	Amount of Expenditures	Amount Provided to Subrecipients
United States Department of Agriculture:				
Indirect:				
Florida Department of Agriculture and Consumer Services:				
Child Nutrition Cluster:				
School Breakfast Program	10.553	15002	\$ 1,176,525.81	\$ -
National School Lunch Program	10.555	15001, 15003	3,052,500.71	-
Summer Food Service Program for Children	10.559	14006, 14007, 15006, 15007	227,045.19	-
Total Child Nutrition Cluster			4,456,071.71	-
Child Nutrition Discretionary Grants Limited Availability	10.579	None	191,870.72	-
Fresh Fruit and Vegetables Program	10.582	15004	81,545.80	-
Total United States Department of Agriculture			4,729,488.23	-
United States Department of Education:				
Indirect:				
Special Education Cluster:				
Special Education - Grants to States:				
Florida Department of Education	84.027	263	1,564,836.82	7,533.24
University of South Florida		None	2,791.00	-
Florida Gulf Coast University		None	5,414.64	-
Total Special Education - Grants to States	84.027		1,573,042.46	7,533.24
Special Education - Preschool Grants:				
Florida Department of Education	84.173	267	87,883.52	-
Total Special Education Cluster			1,660,925.98	7,533.24
TRIO Cluster:				
Tallahassee Community College:				
TRIO-Talent Search	84.044	None	4,379.50	-
Florida State University:				
TRIO-Upward Bound	84.047	None	12,421.70	-
Total TRIO Cluster			16,801.20	-
Florida Department of Education:				
Title I Grants to Local Educational Agencies	84.010	212, 226	3,236,078.30	199,242.58
Career and Technical Education - Basic Grants to States	84.048	161	178,008.77	-
Education for Homeless Children and Youth	84.196	127	65,204.73	-
English Language Acquisition State Grants	84.365	102, 104	50,735.71	-
Mathematics and Science Partnerships	84.366	235	80,578.20	-
Improving Teacher Quality State Grants	84.367	224	488,331.45	-
School Improvement Grants	84.377	126	2,457.16	-
Washington County District School Board:				
Migrant Education - State Grant Program	84.011	None	29,000.00	-
Twenty-First Century Community Learning Centers:				
Florida Department of Education	84.287	244	1,092,748.37	-
Tallahassee Community College		None	39,306.75	-
Total Twenty-First Century Community Learning Centers	84.287		1,132,055.12	-
Total United States Department of Education			6,940,176.62	206,775.82

(Continued)

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Catalog of Federal Domestic Assistance Number</u>	<u>Pass - Through Grantor Number</u>	<u>Amount of Expenditures</u>	<u>Amount Provided to Subrecipients</u>
United States Department of Health and Human Services:				
Direct:				
Affordable Care Act (ACA) Grants for School-Based Health Center Capital Expenditures	93.501	N/A	\$ 185,463.42	\$ -
Head Start	93.600	N/A	2,070,498.69	-
Total United States Department of Health and Human Services			<u>2,255,962.11</u>	<u>-</u>
Corporation for National and Community Service:				
Indirect:				
Tallahassee Community College: AmeriCorps	94.006	None	256,271.81	-
United States Department of Defense:				
Direct:				
Army Junior Reserve Officers Training Corps	None	N/A	108,845.12	-
Total Expenditures of Federal Awards			<u>\$ 14,290,743.89</u>	<u>\$ 206,775.82</u>

The notes below are an integral part of this schedule.

- Notes:
- (1) Basis of Presentation. The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the Federal award activity of the Gadsden County District School Board under programs of the Federal government for the fiscal year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position or changes in net position of the District.
 - (2) Summary of Significant Accounting Policies. Expenditures are reported on the modified accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
 - (3) Indirect Cost Rate. The District has not elected to use the 10 percent de minimis cost rate allowed under the Uniform Guidance.
 - (4) Noncash Assistance – National School Lunch Program. Includes \$291,149.79 of donated food received during the fiscal year. Donated foods are valued at fair value as determined at the time of donation.
 - (5) Head Start. Expenditures include \$813,945.73 for grant number/program year 04CH4687/02 and \$1,256,552.96 for grant number/program year 04CH4687/03.



Sherrill F. Norman, CPA
Auditor General

AUDITOR GENERAL STATE OF FLORIDA

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The President of the Senate, the Speaker of the
House of Representatives, and the
Legislative Auditing Committee

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Gadsden County District School Board, as of and for the fiscal year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 28, 2017, included under the heading **INDEPENDENT AUDITOR'S REPORT**. Our report includes a reference to other auditors who audited the financial statements of the school internal funds and the aggregate discretely presented component units, as described in our report on the District's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by the aggregate discretely presented component units' auditors. The financial statements of the school internal funds were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or

detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** as Finding No. 2016-001 and, collectively, as Finding Nos. 2016-002 through 2016-004 that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain additional matters that we reported to District management in our operational audit report No. 2017-147.

District's Response to Findings

The District's responses to the findings identified in our audit are included as District Response in Finding Nos. 2016-001 through 2016-004 and in the **CORRECTIVE ACTION PLAN**. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,



Sherrill F. Norman, CPA
Tallahassee, Florida
March 28, 2017



Sherrill F. Norman, CPA
Auditor General

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The President of the Senate, the Speaker of the
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Report on Compliance for Each Major Federal Program

We have audited the Gadsden County District School Board's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major Federal programs for the fiscal year ended June 30, 2016. The District's major Federal programs are identified in the **SUMMARY OF AUDITOR'S RESULTS** section of the accompanying **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**.

Management's Responsibility

Management is responsible for compliance with Federal statutes, regulations, and the terms and conditions of its Federal awards applicable to its Federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major Federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major Federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the fiscal year ended June 30, 2016.

Report on Internal Control Over Compliance

District management is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,



Sherrill F. Norman, CPA
Tallahassee, Florida
March 28, 2017

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? No

Significant deficiency(ies) identified? Yes

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major Federal programs:

Material weakness(es) identified? No

Significant deficiency(ies) identified? None reported

Type of auditor's report issued on compliance for major Federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? No

Identification of major programs:

CFDA Numbers:	Name of Federal Program or Cluster:
10.553, 10.555, and 10.559	Child Nutrition Cluster
84.027 and 84.173	Special Education Cluster

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low risk auditee? No

FINANCIAL STATEMENT FINDINGS

SIGNIFICANT DEFICIENCIES

FINANCIAL REPORTING

Finding Number	2016-001
Opinion Units	Governmental Activities
Financial Statements Account Titles	Government-wide Financial Statements: Deferred Outflows of Resources – Pensions; Deferred Inflows of Resources – Pensions, Adjustment to Beginning Net Position, General Revenues - Grant and Contracts Not Restricted to Specific Programs and various other revenues and functional expenses
Fund Name	Not Applicable
Adjustment Amounts	<p>Government-wide financial statements: Additions of \$3,339,837 and \$8,627,290 for Deferred Outflows of Resources – Pensions and Deferred Inflows of Resources – Pensions, respectively, and reductions to Adjustment to Beginning Net Position of \$2,702,057, General Revenues - Grants and Contributions Not Restricted to Specific Programs of \$1,914,041; and various offsetting net debit entries to other revenues and functional expenses totaling \$671,355.</p> <p>Schedule of Expenditures of Federal Awards (SEFA) additions and reductions to certain Federal program expenditures totaling \$1,059,026 and \$314,031, respectively. For example, additions to expenditures for the Twenty-First Century Community Learning Centers Program and Child Nutrition Discretionary Grants Limited Availability Program of \$526,608 and \$191,871, respectively.</p> <p>For audit adjustments necessary to properly report the cash and cash equivalent and related accounts, see Finding No. 2016-003.</p>
Prior Year Finding	Auditor General Report No. 2016-156, Finding 1
Finding	District financial reporting procedures continue to need improvement to ensure financial statement account balances and transactions and SEFA expenditures are properly reported.
Criteria	<p>State Board of Education Rule 6A-1.0071, Florida Administrative Code, and related instructions from the Florida Department of Education prescribe the exhibits and schedules that should be prepared as part of the District's annual financial report (AFR).</p> <p>Section 1010.01, Florida Statutes requires that these exhibits and schedules be prepared in accordance with generally accepted accounting principles (GAAP). GAAP require that contributions made subsequent to the measurement date of the collective net pension liability and before the end of the employer's reporting period (June 30, 2016) should be reported as deferred outflows of resources related to pensions.</p> <p>In addition to GAAP financial reporting requirements, Federal guidance requires the District to prepare a SEFA that reports total Federal awards expended for each individual Federal program. Federal guidance further requires the auditor to use a risk-based approach to determine which Federal programs are audited (i.e., major programs). As part of this approach, the auditor must identify the larger, Type A Federal programs,</p>

which must be audited as a major program at least once every 3 audit periods.

Condition

On the government-wide financial statements, the District under reported Deferred Outflows of Resources – Pensions and Deferred Inflows of Resources – Pensions by \$3,339,837 and \$8,627,290, respectively, and, as a result of these misstatements, overstated Adjustment to Beginning Net Position by \$2,702,057, General Revenues - Grants and Contributions Not Restricted to Specific Programs by \$1,914,041, and various offsetting net debit entries to other revenues and functional expenses totaling \$671,355.

District personnel also understated and overstated certain Federal program expenditures on the SEFA totaling \$1,059,026 and \$314,031, respectively, for a net understatement of \$744,995, or 5.5 percent of total Federal expenditures. For example, Twenty-First Century Community Learning Centers program expenditures were understated by \$526,608 and Child Nutrition Discretionary Grants Limited Availability program expenditures totaling \$191,871 were not reported. As a result of our audit adjustments, the Twenty-First Century Community Learning Centers Program became a Type A Federal program.

Cause

On the government-wide financial statements, the District under reported Deferred Outflows of Resources – Pensions and Deferred Inflows of Resources – Pensions mainly because the District did not consider the Florida Retirement System (FRS) and Health Insurance Subsidy (HIS) Pension Plan contributions subsequent to the measurement date and did not properly report the net difference between projected and actual earnings on FRS and HIS investments.

District personnel indicated that these reporting errors were primarily due to staff turnover and inexperienced staff who prepared the AFR as well as increased workload associated with the transition to a new finance accounting system.

Effect

Reporting errors such as these may cause financial statement users to misunderstand the District's financial activities and incorrectly assess the District's financial position. Without adequate procedures to accurately report Federal programs and related expenditures on the SEFA, the risk increases that major Federal programs may not be identified and audited, and costs associated with those programs may be subject to disallowance by grantors.

We extended our audit procedures to determine the adjustments necessary to ensure the District's financial statement amounts, including the SEFA, were properly reported, and District personnel accepted these adjustments. However, our extended audit procedures cannot substitute for management's responsibility to implement adequate controls over financial reporting.

Recommendation

The District should improve procedures to ensure that financial statement account balances and transactions and expenditures listed on the SEFA are properly reported.

District Response

The District concurs with the finding and has developed a corrective action plan to address the issues noted.

<p>IN COMBINATION, FINANCIAL STATEMENT FINDING NOS. 2016-003 THROUGH 2016-005 REPRESENT A SIGNIFICANT DEFICIENCY</p>
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CASH AND CASH EQUIVALENT ACCOUNT RECONCILIATIONS

Finding Number	2016-002
Opinion Unit	Major Funds: General and Special Revenue – Food Service Funds. Aggregate Remaining Fund Information.
Financial Statements Account Titles	Governmental Fund Financial Statements: Cash and Cash Equivalents and Various Other Account Balances and Transactions
Fund Name	General Fund, Special Revenue – Food Service Fund, and Other Governmental Funds
Adjustment Amounts	<p>Governmental fund financial statements:</p> <ul style="list-style-type: none"> • General Fund - decreased Cash and Cash Equivalents, Payroll Deductions and Withholdings, and Local Property Tax Revenues by \$869,069, \$486,254, and \$382,815, respectively. • Special Revenue – Food Service Fund – decreased Cash and Cash Equivalents, Accounts Receivable, and Local Revenue – Charges for Food Service by \$41,635, \$55,566, and \$289,072, respectively, and increased Federal Through State and Local Revenues by \$191,871. • Other Governmental Funds – decreased Cash and Cash Equivalents, Accounts Payable, Accrued Interest Payable, Debt Service Principal and Interest expenditures, and Transfers Out by \$16,059, \$151,238, \$22,254, \$56,750, and \$100,683, respectively.
Prior Year Finding	Not Applicable
Finding	<p>District procedures did not effectively provide for:</p> <ul style="list-style-type: none"> • Proper reconciliations of cash and cash equivalent account statement balances to the general ledger account balances with reconciling items thoroughly investigated and adequately identified and documented. • Timely adjustments to the general ledger cash and cash equivalent account balances based on the results of the reconciliations. • Appropriate supervisory review and approval of the account reconciliations to ensure that the reconciliations were properly performed.
Criteria	Effective internal controls require that reconciliations of cash and cash equivalent account balances to general ledger account balances be performed on a timely, routine basis and reviewed by supervisory personnel. Such reconciliations are necessary to provide reasonable assurance that cash and cash equivalent assets agree with recorded amounts, promptly detect and correct unrecorded and improperly recorded transactions or financial institution errors, and provide for the efficient and economic management of cash resources.
Condition	At June 30, 2016, the District reported cash and cash equivalent balances in bank, investment, and money market accounts totaling \$6,402,343 and District personnel indicated that they relied on online activity reports to monitor cash balances and cash needs. During the

2015-16 fiscal year, the District maintained 17 cash and cash equivalent accounts and, at June 30, 2016, the District reported for the:

- Cash and Cash Equivalent Investment Account a total of \$4,246,157.
- General Operating Bank Account a total of \$1,099,624.
- Money Market Bank Account a total of \$1,050,563.
- Loan Repayment and Escrow Bank Account a total of \$5,026.
- Twelve Food Service Bank Accounts a total of \$973.
- Benefit Bank Account a total of \$0.

Food Service personnel were responsible for reconciling the 12 food service bank accounts and Finance Office personnel were responsible for reconciling the 5 remaining accounts and supervisory personnel were to review and approve the reconciliations. Our discussions with District personnel and examination of District records supporting cash and cash equivalent account reconciliations disclosed that:

- The July 2015 through December 2015 Cash and Cash Equivalent Investment, Money Market, Loan Repayment and Escrow, and Benefit Account reconciliations were completed and evidenced supervisory review and approval. However, as of January 2017, although we requested, District records were not provided to evidence that the account reconciliations for these 4 accounts for January 2016 through December 2016 had been completed.
- For the General Operating Bank Account:
 - The District listed unreconciled differences ranging from \$300 to \$3,632 on the August 2015 through January 2016 bank account reconciliations. Although we requested, District records were not provided to explain why the differences existed.
 - As of November 2016, the February 2016 through June 2016 bank account reconciliations had not been completed. In December 2016, District personnel attempted to perform the reconciliations and provided us documentation of the reconciliation attempts. However, we noted that the supporting lists of outstanding checks did not agree with the total outstanding check amounts on the reconciliation attempts for those months. For example, the June 2016 reconciliation attempt had outstanding checks totaling \$188,219; however, the corresponding list of outstanding checks totaled \$321,824 for a difference of \$133,605. Although we requested, District records were not initially provided to explain why the differences existed.
 - As part of our audit process, we accounted for the sequence of all June 2016 check numbers and traced all June 2016 outstanding checks to the subsequent month bank account statements that showed the checks cleared. Our audit procedures identified additional June 2016 outstanding checks totaling \$410,119 that District personnel did not identify as outstanding, but were necessary to properly reconcile the general ledger account to the bank statement account.
- For the 2015-16 fiscal year, bank account reconciliations for the 12 food service accounts were timely completed and properly reconciled to the District general ledger for each month. However,

District records did not evidence any supervisory review and approval of these reconciliations.

- For the General Fund, District personnel inadvertently recorded:
 - A portion of the payroll deduction and withholdings (PDW) for the June 2016 payroll at the beginning of July 2016 as a PDW Payable of \$486,254. District personnel remitted that amount to the Federal Government on June 30, 2016, but did not eliminate the PDW Payable and reduce the Cash and Cash Equivalents account for the remittance.
 - The June 2016 local property tax receipt twice, resulting in overstatements of \$382,815 for each of the Cash and Cash Equivalents and Local Property Tax Revenues accounts.
- For the Special Revenue – Food Service Fund, District personnel:
 - Erroneously recorded a portion of May and June 2016 National School Lunch Program reimbursements as Federal through State and Local Revenues and Local Revenue – Charges for Food Service, resulting in overstatements of \$289,072 for each of the Cash and Cash Equivalents and Local Revenues – Charges for Food Service accounts.
 - Did not report Federal reimbursements received pursuant to the Child Nutrition Discretionary Grants Limited Availability Program, which resulted in understatements of \$191,871 for each of the Cash and Cash Equivalents and Federal through State and Local Revenues accounts.

Collectively, these errors, along with a \$55,566 erroneous debit to Accounts Receivable on the AFR, resulted in an overstatement of Special Revenue – Food Service Fund Cash and Cash Equivalents accounts by \$41,635.

- For the Other Governmental Funds (OGF), District personnel:
 - Did not record 2014-15 fiscal year audit adjustments in the District general ledger, understating the Cash and Cash Equivalents account and overstating Transfers Out by \$100,683 each.
 - Erroneously made various adjustments to the AFR, including an increase to Debt Service Principal and Interest Expenditures by \$52,825 and \$3,925, respectively, to record the payment associated with Notes Payable. However, this payment had previously been recorded in the General Fund. These various adjustments overstated the OGF Cash and Cash Equivalents, Accounts Payable, and Accrued Interest Payable accounts by \$116,742, \$151,238, and \$22,254, respectively.

Cause

The District had not established procedures for the supervisory review and approval of the Food Service bank accounts because of a lack of communication between the Food Service Department and Finance Department to identify the department responsible for the review and approval function. In addition, District personnel misunderstood the accounting treatment for reimbursement grants. Also, District personnel indicated that the account reconciliations were delayed because the Finance Department experienced personnel changes and increased workload due to implementation of a new finance accounting system.

Effect

We extended our audit procedures to review the January 2016 through June 2016 statements associated with the Investment, Money Market,

Loan Repayment and Escrow, and Benefit Accounts and traced significant transfers and checks to subsequent statements that showed the items cleared. We also compared the account statement balances to the general ledger balances and determined that the amounts materially agreed and were properly presented at June 30, 2016.

Our extended audit procedures also identified the adjustments necessary to properly report other cash and cash equivalents, and District personnel accepted these adjustments. However, our extended audit procedures cannot substitute for management's responsibility to implement adequate controls over the reconciliation process. Absent effective procedures for the appropriate conduct and supervisory review of cash and cash equivalent account reconciliations and timely resolution of differences noted during reconciliations, there is an increased risk that any cash transaction errors or fraud that may occur will not be timely detected.

Recommendation

The District should enhance procedures to ensure that:

- Cash and cash equivalent account statement balances are properly reconciled to the general ledger account balances with documentation that reconciling items were identified, thoroughly investigated, and explained.
- Required adjustments to the general ledger cash and cash equivalent account balances, as a result of the reconciliations, are timely made.
- Supervisory review and approval of the cash and cash equivalent account reconciliations is performed to verify that the reconciliations are properly performed.

District Response

The District concurs with the finding and has developed a corrective action plan to address the issues noted.

JOURNAL ENTRIES

Finding Number

2016-003

Prior Year Finding

Not Applicable

Finding

Controls over journal entries need improvement.

Criteria

Effective internal controls require that journal entries are appropriately documented and independently reviewed and approved to provide reasonable assurance that recorded transactions are appropriate and that errors or fraud, should they occur, are timely detected.

Condition

From the population of 4,004 journal entries totaling \$725,241,191, we examined District records supporting 30 selected journal entries totaling \$119,493,397 and noted that:

- For 7 journal entries totaling \$892,676, District records did not identify the purpose for, who recorded, or who reviewed and approved the entries. Our further examination of District records supporting these entries indicated that the entries were for authorized District purposes. For example, one entry for \$346,831 was to allocate a portion of the local property tax revenue to the Local Capital Improvement Fund; however, the purpose for, who recorded, and who reviewed and approved the entry was not identified of record.

- For 2 other journal entries totaling \$536,888 for instruction and student transportation services expenditures, District records evidenced the authorized District purpose and who recorded the entries. However, although we requested, District records were not provided to evidence independent supervisory review and approval of the entries.

Cause	In response to our inquiries, District personnel indicated that District records supporting the 7 journal entries could not be located because the records were misplaced during regular operations. In addition, District personnel indicated that the 2 journal entries that lacked documented independent supervisory review and approval, were reviewed by the former Assistant Superintendent for Business and Finance; however, documented evidence of this independent review and approval was not maintained.
Effect	While we were able to determine through inquiry with District personnel and accounting system transactions that the primary purposes of the undocumented journal entries appeared valid and were not the result of any errors or fraud, our procedures cannot substitute for management's responsibility to implement adequate controls over journal entries. Absent such controls, there is an increased risk that errors or fraud could occur without timely detection.
Recommendation	The District should enhance procedures to ensure that District records evidence for each journal entry the purpose for the entry, the person making the entry, and an independent supervisory review and approval of the entry.
District Response	The District concurs with the finding and has already addressed this issue as noted in the corrective action plan.

ELECTRONIC FUNDS TRANSFERS

Finding Number	2016-004
Prior Year Finding	Not Applicable
Finding	District electronic funds transfer (EFT) agreements in effect during the 2015-16 fiscal year did not provide for an appropriate separation of duties as two individuals were authorized to make EFTs and could also change the bank account to which funds could be transferred.
Criteria	<p>Section 1010.11, Florida Statutes, requires each school board to adopt written policies prescribing the accounting and control procedures under which funds are allowed to be moved by electronic transaction for any purpose including direct deposit, wire transfer, withdrawal, investment, or payment.</p> <p>State Board of Education Rule 6A-1.0012, Florida Administrative Code, authorizes the District to make EFTs provided adequate internal control measures are established and maintained, such as a written agreement with a financial institution that identifies employees authorized to initiate EFTs.</p> <p>Board Policy 6107 requires that EFT agreements set forth internal controls required by State law and State Board Rule that will provide adequate integrity, security, confidentiality, and auditability of business transactions. Additionally, effective internal controls over EFTs require an appropriate separation of duties such that employees authorized to transfer funds are different than those who can change accounts to which funds can be transferred.</p>

Condition

At June 30, 2016, the District's investment account balance available for electronic transfer totaled \$4,743,899. The Board-established agreement in effect at July 1, 2015, for the investment account was updated for certain personnel changes in March 2016. Although the agreement was updated and restricted the bank account to which funds could be transferred, our examination of District records and inquiry with District personnel disclosed that:

- On both the agreement in effect at July 1, 2015, and the March 2016 updated agreement, the Assistant Superintendent for Business and Finance and the Assistant Comptroller were authorized to make EFTs and could also change the bank account to which funds could be transferred.
- The Assistant Comptroller, listed on the agreement in effect at July 1, 2015, transferred from the Finance Department in June 2015 but remained on the agreement until March 2016. Until that date, the employee continued to be authorized to make EFTs and could also change the bank account to which funds could be transferred.
- The Assistant Superintendent for Business and Finance, listed on the March 2016 agreement, separated from District employment in May 2016; however, as of January 2017, the agreement continued to list and authorize this former employee to make EFTs and to change the bank account to which funds could be transferred. In response to our inquiry in January 2017, District personnel indicated that they had begun the process of updating the investment account agreement.

Cause

According to District personnel, the agreements had not been updated due to oversights. In addition, District personnel were unaware that the duties for authorizing EFTs and changing the bank accounts to which funds could be transferred needed to be separated.

Effect

Investment agreements that authorize the same individuals to make EFTs and change the bank accounts to which funds can be transferred, increase the risk that errors or fraud could occur without timely detection.

District personnel made 16 EFTs totaling \$4.8 million from the investment account during the 2015-16 fiscal year and we examined District records supporting these EFTs. In addition, we expanded our testing to examine District records supporting 3 other EFTs totaling \$2.6 million made during the period July 2016 through January 2017. We determined that the EFTs were made to the District's restricted account as set forth by the agreements. While our tests did not disclose any EFTs to unauthorized accounts, such tests cannot substitute for management's responsibility to establish effective internal controls over EFTs.

Recommendation

The Board should take immediate action to update investment account agreements for current employees and ensure that the incompatible duties of authorizing EFTs and changing the bank accounts to which funds can be transferred are appropriately separated.

District Response

The District concurs with the finding and has already addressed this issue as noted in the corrective action plan.

PRIOR AUDIT FOLLOW-UP

The District had not taken actions to fully correct the financial statement finding cited in our previous audit report, as Finding No. 2016-001 was similarly noted in our report No. 2016-156 as Finding 1.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Listed below is the District's summary of the status of prior audit findings required to be reported under 2 CFR 200.511:

Audit Report No. (Finding No.)	Program/Area	Brief Description	Status	Comments
2014-171 (1) 2015-164 (1), (2), and (3) 2016-156 (1)	Financial Reporting	District financial reporting procedures continue to need improvement to ensure account balances and transactions are properly reported.	Not Corrected.	The District is looking into different methods of secondary review or preparation of the statements for the 2016-17 fiscal year.
2014-171	Special Education Cluster (CFDA Nos. 84.027 and 84.173) - Matching, Level of Effort, and Earmarking - Maintenance of Effort	The District did not have adequate procedures to monitor its compliance with the Special Education Cluster programs maintenance of effort requirement, resulting in a maintenance of effort shortfall and questioned costs of \$224,650.	Fully Corrected.	In April 2015, the grantor determined that the District is responsible to repay the questioned costs in two equal installments. The District repaid questioned costs totaling \$112,325 in the 2014-15 fiscal year and \$112,325 in the 2015-16 fiscal year.

CORRECTIVE ACTION PLAN

Gadsden County District School Board Management's Corrective Action Plan For the Fiscal Year Ended June 30, 2016

Finding Number: **2016-001**

Planned Corrective Action: The District will be instituting another check system into the preparation of the AFR, and is determining if it is feasible to secure outside sources for either a review of or completion of the AFR, or if it will be using additional employees who will review the information. Regardless, either the outside agency or the additional reviewer from the District will ensure that errors such as these do not occur again in the future.

Anticipated Completion Date: 9/11/17

Responsible Contact Person: Thomas Kauffman

Finding Number: **2016-002**

Planned Corrective Action: The District has been working with FOCUS to get the reconciliations inside of the finance program to work correctly, and as of current have caught up on all reconciliations. We have also performed training for the new staff on how to handle the reconciliation process, and they are learning how this process works to make sure we continue to stay on top of the bank reconciliations.

Anticipated Completion Date: 04/2017

Responsible Contact Person: Thomas Kauffman

Finding Number: **2016-003**

Planned Corrective Action: The District's new FOCUS system requires two people to complete any journal entry. Since this is inherent in the system, we believe this finding has been corrected.

Anticipated Completion Date: 04/2016

Responsible Contact Person: Thomas Kauffman

Finding Number: **2016-004**

Planned Corrective Action: The District has updated the investment account agreement as recommended.

Anticipated Completion Date: 02/17

Responsible Contact Person: Thomas Kauffman